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GOVERNMENT POLICY ON HIGH FUEL PRICES DISCUSSED

Nationalization Advocated

Nicosia KHARAVGI in Greek 11 Mar 82 p 3

/Text/ The situation in the marketing of oil products proves once again to be unacceptable and harmful to the public interest. While the oil price has fallen steadily for months now (it dropped by \$6 per barrel) and while many European and other countries months ago decreased the price of fuels in their domestic market, in Cyprus the foreign companies managing the marketing of oil products which they now import at low prices continue to sell them at the same high prices as before. According to a government explanation, only at the end of June will the question of reviewing the prices of the oil products be examined and then only if the data the companies will present make it necessary.

Out of the whole situation one thing is clear: the present system of selling oil products favors the foreign companies and allows them to reap profits at the expense of the Cypriot consumer public. Once more it is clearly evident that to relieve ourselves of this exploitation there is only one way out: to nationalize the import and marketing of oil goods as well as the refinery. The consumers will thus be assured of better prices while the state will get the profits which it can use for the development and prosperity of the country. It is inexcusable to have a vital sector of our economy remain in foreign hands.

Government Attacked

Nicosia TA NEA in Greek 17 Mar 82 p 5

/Text/ The government should consider the drop in oil prices in the international market as a heaven-sent opportunity to halt the galloping inflationary trends because:

1. A prompt readjustment of the prices of oil products in Cyprus as they drop internationally would mean a suspension of the demands for /price/ increase of various goods. We do not entertain the illusion that the government has the ability to control the prices of various goods whose prices reached high levels under the pretext that the prices of oil goods have increased and that it /the government/ could, now that the oil prices have dropped, demand proportional decreases in the price of goods. But it can prevent further increases.

Freezing the prices of goods is an important arrest of the inflationary wave about which it ostensibly brags.

It is known that the increase in the prices of oil products has been used for chain increases--partly justified but mostly unjustified as concerns percentages and high levels--in the price of goods with the known consequences in the economy. The decrease in the prices of the oil products provides a classic opportunity for the government to control the prices of goods. The question is:

Why does the government consistently refuse to take advantage of this heaven-sent opportunity? It is difficult to understand such refusal but it is very obvious.

2. The government's short-sighted economic policy revolves around the unexplained protection of the multinationals producing oil goods and not the long-term certain profits! For the glory of the multinationals! And to the misfortune of the consumers!

Government, Multinationals Blamed

Nicosia TA NEA in Greek 20 Mar 82 p 1

[Text] The international press agencies report that the price of crude oil in the international market has dropped to \$28.25 per barrel.

The Cypriot government is still waiting--as it has informed us--for the companies producing oil products to submit to it their price lists! In the meantime:

The price the Cypriot consumer pays for gasoline--the most expensive in Europe--was fixed when the price of crude oil was \$36.93 per barrel! In other words, on the basis of the present prices, gasoline should be sold 300-400 mils cheaper and this would indirectly affect the prices of all goods whose price depends on that of oil.

The government, despite our repeated exhortations to lower immediately the price of gasoline, a step which would have a beneficial effect on the country's economy, at first turned a deaf ear. Then it talked in circles. And now it remains silent. We ask bluntly: For how long will the government continue to rob its citizens in favor of the excessive profits of the multinational?

Reduction of Iraqi Oil Imports

Nicosia O AGON in Greek 21 Mar 82 p 1

[Text] To save a large amount of foreign exchange the government will limit its oil imports from Iraq and will buy oil from other sources which sell it at lower prices. Before doing so, however, it will contact Iraq with which it has an agreement calling for the purchase of oil at \$34.93 per barrel and ask for a price reduction at the level of the international market.

Naturally, it seems at least impossible for Iraq to accept the Cypriot government's request since Iraq will then be obligated to lower the prices of oil it supplied to other countries thus losing many millions of dollars.

In any case, the government is said to be determined to limit if not to suspend all oil imports from Iraq in the event that country refuses to lower the price.

According to our reports, the [oil products producing] companies are ready to proceed with the import of large quantities of oil at lower prices but need the government's approval. Already, these companies have submitted a few days ago their account reports as the government had requested but, according to our reports, the companies want to collect from the government a large amount given that [in their reports] they show large deficits according to a statement by the companies' spokesman.

The reduction of the price of oil products in Cyprus will have a positive impact on the island's economy since it will drop the cost of merchandise which will thus become competitive in the foreign markets and at the same time will limit the price index.

According to our reports, a conference will be held in the Commerce Ministry probably next week to discuss the question of oil products.

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CSO: 4621/257

STATISTICS PROVIDED ON REDUCED ENERGY CONSUMPTION IN 1981

Athens OIKONOMIKOS TAKHYDROMOS in Greek 25 Feb 82 p 10

[Article by G. Papanikolaou]

[Text] The initial results of the country's annual energy consumption have been evaluated and while the data processing of the last November-December 2-month period is still incomplete, the emergency picture is impressive.

The country's annual energy consumption shows for the first time a drop compared to 1980 as well as 1979! Specifically, the total energy consumption [in 1981] dropped by 321,000 Tons of Equivalent Oil Quantity [TIP] compared to 1980 and by 268,000 TIP compared to 1979. We note here that the 1978 total energy consumption was 13,220 TIP and in 1981 had reached 13,616,000 TIP.

This significant development and also the most pleasant point worth noting is that in 1981 the lignite production and its use by the Public Power Corporation [DEI] increased while the mazut consumption for the production of electricity decreased significantly. The total improvement of the country's 1981 general energy balance has contributed considerably to this development.

Specifically, while the use of lignite increased from 2,703,000 TIP in 1980 to 3,283,000 TIP in 1981 (an increase of 21.4 percent), the use of crude oil (mazut) decreased from 2,234,000 TIP in 1980 to 1,790,000 TIP in 1981 (decrease of 19.8 percent). The DEI use of crude oil in 1981 is even smaller than the one in 1978 when it had reached 1,905,000 TIP.

However, the consumption of liquid fuels raises certain questions. Because even though in its totality in 1981 it shows a decrease by 326,000 TIP compared to 1980; even though, that is, the consumption dropped even lower than the 1978 level of 8,189,000 TIP (while in 1981 it was 8,120,000 TIP) yet the gasoline consumption increased! It reached 1,420,000 TIP compared to 1,331,000 TIP in 1980 (increase of 6.5 percent) while the diesel oil consumption dropped from 2,953,000 TIP in 1980 to 2,688,000 TIP in 1981 (drop of 8.9 percent). It is noted that the diesel oil consumption in 1977 was 2,540,000 TIP!

Worthy of attention is the fact that the consumption of crude oil which is almost wholly used by industry reduced from 2,845,000 TIP in 1980 to 2,727,000 TIP in 1981 (decrease of 4.4 percent). The 1981 crude oil consumption is smaller than in 1979 when it reached 2,813,000 TIP (decrease of 3 percent).

Of course if the study of the data of the country's energy balance is done within the narrow framework of the effort to decrease our foreign exchange devouring dependence on the imports of crude oil, unavoidably it will give positive results since in 1981 the consumption of liquid fuels and of energy in general had decreased.

However, if some of these data are examined in the context of the national economy, such as the decrease in the consumption of crude oil by industry and of diesel oil which to a large extent is used for home heating, then such data must create concern among those responsible for the country's economic development. Because, as is known, the saving and redistribution of the sources providing energy to the country to a small degree may lead to the complete restriction of the total energy consumption.

The extent to which this decrease appears today, and especially in the sectors we mentioned earlier, should cause concern rather than pleasure to the government.

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CSO: 4621/257

ENI'S POSITION ON METHANIZATION OF SOUTH

Rome STAFFETTA QUOTIDIANA PETROLIFERA in Italian 4 Mar 82 pp 4-5

[Article: "Very Clear Words from the President of the SNAM (National Gas Pipeline Company) about the Algerian Gas Affair--Barbaglia: We Will Methanize the South Even Without Algeria"]

[Text] We publish below the complete text of the address by Engineer Enzo Barbaglia, president of the SNAM, to the conference on methanization in Sicily, held in Palermo on Monday and Tuesday. In the speech, Barbaglia presents in very clear words the position of the ENI [National Hydrocarbons Agency] on the Algerian gas affair, stressing that the SNAM's plans are capable of methanizing the Mezzogiorno even on the deplored hypothesis that an agreement cannot be reached on the price of the gas.

First of all, I thank the organizers and the chair of this round-table conference for the opportunity offered me to clarify several aspects regarding the methanization of the Mezzogiorno. Indeed, both the problems of the state of the negotiations on the price of Algerian methane and those relative to price policy for the gas in the Italian domestic market are closely connected with it, and I would like to dwell on these topics for a moment. Before taking up those subjects, though, I would like to make it clear at the outset that the program for methanization of the Mezzogiorno, even though the question of the Algerian supplies is still pending, is going ahead without any delay on the part of the SNAM. As I will make clearer later, the programmed projects are developing without any slowdown or lag behind what was anticipated, and implementation of the plan is not in any way dependent on the postponement of the starting date for the new importation.

In recent months there has been a lot of discussion--and the press has featured it prominently--about the contract for importation of natural gas made between the SNAM and the Algerian SONATRACH [National Company for the Transport and Marketing of Hydrocarbons]. The program for methanization of the Mezzogiorno officially started from that supply contract, which provides for the importation of 12.3 billion cubic meters of methane per year into Italy, for 25 years. Even though I believe that the fact is known to all, I think it useful to mention again that the contract in effect between the SNAM and SONATRACH, ratified in its time by the respective governments, is still fully valid and effective.

Furthermore, this fact has never been challenged by SONATRACH, which has, however, insistently called for review of the contract supply price and the linking of it to parameters.

The Algerian position is the consequence of a new approach that that country wants to give to its policy on development of its own energy resources. Indeed, on the basis of this new direction, the price clauses of all contracts for exportation of gas from Algeria have been called into discussion again by SONATRACH.

As regards Italy, the urgent Algerian interventions have finally led the SNAM, upon communications from the ENI and the Italian government, to agree to carry out, with the opposing side, a full and careful examination of the subject proposed. The Algerian demands have proved unacceptable from the beginning: in brief, they are aimed at establishing a cost of the gas at the Italian border (at Mazara del Vallo) equal to what the French, after the recent purchase-contract revision, obtain for gas imported from Algeria in the liquefied state, at the output end of their regasification plant. This means not taking account of the differing systems and transport costs or of the differing distances, and amounts to demanding from Italy an added value for Algerian gas sharply higher than that obtained through the amendment of the contracts with the French and the Belgians. The price asked at the Algerian border, net of all cost of transport, modulation and distribution on the part of the SNAM, is on the order of Lit 250 per cubic meter. This price is higher not only than the average price charged by the SNAM in the domestic market today, but also than the price that could be obtained tomorrow in the absence of the facilities existing today: in other words, higher than a price that would reflect the market value effectively attributable to natural gas. To make it clear, the price requested by Algeria would not justify recourse to methane as an important alternative energy source--a policy that our country is relying on.

After repeated meetings, the SNAM, looking at matters from the viewpoint of collaboration over a number of years, made a proposal that provides for price conditions considerably more advantageous for the supplier than those set out in the contract. This offer, though not considered satisfactory by SONATRACH, provides for a price that should enable the gas to stay "in the market"--that is, competitive with the alternative fuels that methane should substitute for.

On the other hand, the price offered by the SNAM would give the Algerians an added value for their gas not less than the one received per the renewed contracts for export to France and to Belgium. Indeed, in making comparisons one has to take into account the fact that the system of transport to those countries involves costs to Algeria, which has taken on the industrial risk of it too, for an expensive liquefaction operation, nonexistent in the transport system selected for Italy. The SNAM's offer is therefore a valid one from this point of view also, beyond the legal considerations of international law and of compatibility of the price with the structure of our energy market.

In the meantime, the difficult negotiations with the Algerian authorities have not slowed down construction of the 48-inch main pipeline or the making of the minor connections that branch off from it.

The design work for the urban gas-distribution networks being done by the SNAM's partners (Italgas Sud, Metano Citta and Siciliana Gas) is continuing. The concessions for a total of more than 100 communes have been finalized, and the construction work on the urban networks has already been started in at least 10 of them. The carrying-out of the project for methanization of the Mezzogiorno will not suffer consequences from the delay in delivery of Algerian gas to Italy.

In fact, the programs were initially conceived with a high degree of flexibility, to take into account also the possible importation delays for any number of reasons. It is obvious that in tackling a project of such great scope, commitment and technology, many aspects related to difficulties of various kinds had to be considered. Among them are:

- the traversal of foreign states;
- the crossing of two stretches of sea with depths and bottom characteristics never before confronted, for the construction of gas pipelines, anywhere in the world;
- the programs for delivery of the gas by the supplier, who was committed to building a 550-km gas pipeline on its territory;
- the problems of financing the project.

Any of these aspects could have resulted, in the various phases, in operational delays of considerable duration.

On Italian territory, the gas pipeline will already be reaching the national system at Naples in the second half of this year; subsequently, it will be extended to Minerbio. The methanization program therefore will not suffer delays or limitations attributable to shortages in gas availability, because, among other reasons, the connection will make it possible to make strategic use of the stored gas reserves easily, as well as of the flexibility deriving from national production and other importation. Without raising any special problems, it will also be possible to have recourse to limited action on nonpriority uses.

A threat to such a commitment--both ours and that of the other operators, public and private--could, however, come from the persistence or repetition, for reasons of a political-bureaucratic nature, of situations of imbalance, due to failure to adjust the prices and rates for gas to the costs and to the energy market: situations that could eliminate or weaken the financing capacity of the operators in the sector.

Regarding price, it is often said that gas is a bargain fuel. The SNAM does not accept this thesis, and maintains that the price of methane cannot constitute an independent variable in the energy-price system and must be closely linked to that of the alternative fuels.

This principle is confirmed by the recently approved National Energy Plan, which fixes the criteria for determination of the prices of gas for the various end-uses, in conformity with the approaches taken in the matter of energy-saving, substitutability or use priority. Even before the 1970's, when only Italian-produced gas was distributed, the SNAM was aiming at implementing a policy for alignment of methane prices with those of the alternative fuels, so

as not to create distortions in the market that could give rise to irrational uses and unjustified competition. More than 50 percent of the Italian market's supply comes from abroad today, and this dependence will rise further with the arrival of the Algerian gas; the abovementioned orientation on the selling price of the gas is therefore becoming increasingly urgent, especially because of the fact that the SNAM is buying abroad at a price that is strictly and entirely linked to that of the alternative fuels. The industrial users are already paying a price that is parameter-linked to that of the fuel oils that can be used in substitution for gas, and the municipal users will also have to prepare to pay for gas a price linked to that of gas-oil, which is the fuel most widely used in the domestic sector.

But the fact that the per-calorie prices of natural gas are being pegged at the same level as the per-calorie prices of the alternative fuels certainly does not mean that gas will lose its advantages in comparison with other fuels.

Its convenience of use, which makes it in any case a fuel that is always preferred, at an equal per-calorie price, over the alternative fuels, arises from a series of advantages or "pluses" that can be summarized as follows:

- after electrical energy, methane is the cleanest fuel and therefore the most ecologically sound one;
- the user does not have to keep reserves on hand;
- gas supplies enjoy an ample guarantee of continuity and security of availability.

Especially for the industrial use of gas, extra energy costs are not required during the use phase (preheating, pumping, pulverization). In addition, gas permits, because of its characteristics, the adoption of more highly automated, rational and reliable processes of control and regulation, with consequent reduction of the costs of operating the installations. This also makes it possible to adopt more simplified industrial processes and to obtain qualitatively better production (ceramics, etc).

In domestic uses too, natural gas has found a specific vocation that has continually broadened its area of use and has helped to improve way of life and family economy, simplifying the domestic problems that are connected with the use of other sources.

In conclusion, I would like to declare once again that the programs for methanization of the Mezzogiorno, and of Sicily in particular, are proceeding in accordance with the planned work schedule, as far as the commitments taken on by the SNAM and by its partners working in the sector are concerned, and even though some startup difficulties have been encountered.

The process of methanization of a vast area such as that of the Mezzogiorno, and in particular the municipal part of it, nevertheless requires, even with all the effort and determination, considerable lengths of time, as we are taught by the 40 years of work and experience in this sector. In any case, the collaboration of everyone committed to carrying out the program, and the common will to fulfill the great design in a spirit of strict respect for the economic logic that regulates the energy market, will be decisive for fulfillment of the great commitment to methanize the Mezzogiorno.

STATE-OF-THE-ART OF ENEL'S COAL CONVERSION PROGRAM

Rome STAFFETTA QUOTIDIANA PETROLIFERA in Italian 8 Mar 82 p 16

[Article: "To Go from Fuel Oil to Coal--What Stage Is the Conversion of the ENEL (National Electric Power Agency) Power Plants At?"]

[Text] In addition to making for a kWh cost far higher than can be obtained with coal or with nuclear power, the preponderant dependence of ENEL's electric-power production system on petroleum products--about 60 percent of the total--has heavy consequences for our economy and exposes the agency to all the difficulties deriving from the most unstable world energy-sources market. The construction of new coal-fired power plants (as well as nuclear ones) and the conversion of fuel-oil-fired plants have therefore been made priority aspects of the agency's policies. According to the National Energy Plan, in addition to the present coal-fired power plants, ENEL will have to convert 3,700-MW worth of fuel-oil-fired power plants to coal and build about 17,000-MW worth of new coal-fired plants. We give below an updated recapitulation of ENEL's programs for conversion and new construction of power plants to be fired by coal.

Power Plants Already Operating on Coal

Vado Ligure)	
Genoa)	
La Spezia)	
Fusina)	total production: 5,200 MW
Monfalcone)	
Porto Maghera)	
Sulcis)	

In 1981, consumption of coal by these power plants was 6 million tons.

Power Plants to Be Converted Soon

Brindisi (1,200 MW)--Work was started recently and is expected to be completed in 1984.

Milazzo (four 150-MW sections and two 300-MW sections)--The wharf for unloading the coal is going to be fitted out.

Piombino (1,200 MW)--Work is about to be resumed. Two sections already started and totaling 40 percent of the work were blocked in 1981 by revocation of the building permit.

Installations Planned

Piemonte

Chivasso (Torino) two 300-MW units

Lombardy

Bastida Pancarana (Pavia) two 300-MW units

Tavazzano (Milano) two 300-MW units

Veneto

Coastal strip two 640-MW units

Friuli Venezia Giulia

Coastal strip two 640-MW units

Emilia Romagna

Ravenna two 640-MW units

a site to be decided on one 640-MW combined-production unit

Tuscany

Livorno and Grosseto coast four 640-MW units

Umbria

Southwest zone two 640-MW units

Abruzzo

Vasto (Chieti) four 640-MW units, two of them initially at the site indicated

Puglia

Brindisi or Taranto four 640-MW units

Calabria

Gioia Tauro (Reggio Calabria) four 640-MW units

Sicily

Southwest coast three units (could be increased to four) of 300 MW each

Sardinia

one or two power plants four 300-MW units

Expected coal consumption at 1990-1991: 10 to 12 million tons for the power plants already operating on coal, for Brindisi and Milazzo. For Piombino, another 2 million tons is forecast.

11267

CSO: 3104/159

TWO NUCLEAR POWER STATIONS TO BE PURCHASED FROM FRG

Istanbul MILLIYET in Turkish 11 Feb 82 p 8

[Article by Nilufer Yalcin]

[Text] The Turkish Government has decided to initiate technical contacts with a company in the Federal Republic of Germany for the purchase of two nuclear power stations with an output of 400 megawatts each.

It is known that the KVV company which is a part of the Siemens industrial conglomerate of Germany has available two 400 megawatt nuclear powerplants and that these powerplants are ready for assembly. Officials of the German company have formally advertised the availability of the two powerplants for sale. It is also known that Turkey has been investigating the possibility of using nuclear powerplants to reduce its energy shortage. It is being calculated that the purchase of both powerplants at the same time will substantially reduce the cost of the energy that would be produced at the plants. The KVV company has announced that the powerplants would be delivered key in hand. The powerplants would be integrated within the national energy network as a new 800 megawatt source of energy. KVV has announced a price of 1.6 billion dollars for the powerplants. Moreover, it is felt that if the parties can reach an agreement, the issue of export credit guarantees by the federal government can also be resolved. On the basis of such estimates, it has been decided to invite representatives from the KVV company to Ankara for the purpose of initiating talks at the technical level.

According to the information that has been obtained, nuclear powerplants with a capacity of 1200 megawatts are preferable from a standpoint of efficient operation and less expensive energy production. Germany which had originally been building such a nuclear powerplant for Iran, subsequently sold it to Egypt. The decision to initiate contacts was influenced by the fact that the two smaller powerplants are of a type that can be easily assembled and are jointly capable of producing 800 megawatts.

While the government of the Federal Republic of Germany has not yet made available to Turkey export credit guarantees administered by the Hermes organization, it is being hoped that economic developments as well as the domestic policy for stability will once again lead to the availability of this source of credit in periods to come.

ANALYSIS OF RELATIONS WITH LIBYA, IRAQ WARNS OF PITFALLS

Athens O OIKONOMIKOS TAKHYDROMOS in Greek No 10 (1453), 11 Mar 82 pp 58 60

[Article by Giannis Dimitriadis]

[Excerpts] Whether we call them a campaign declaration, a new dimension in Greek foreign policy or a need for new supports, the new expanded relations with the Arab world constitute a reality. Without being a "shift" in Greek foreign policy since the Greek-Arab relations have always been excellent--even before the Cypriot issue came up, which some consider the cause--the Greek sensitivity on the drama of Palestine has always been expressed with a pro-Arab spirit.

In this article we present our bilateral relations with two Arab countries which recently made the news--Iraq and Libya. Not only because they attract curiosity and interest regarding the war the former conducts with a neighboring country and the latter with the development of the "great popular revolution," but also because a great deal has been said about their ties with PASOK as well as because they tried to help our country with support from the Arab world as a whole.

In spite of the unquestionable fact that our relations with them since the election have been going through a period which could be characterized as "a honeymoon" problems in the bilateral relations of the two countries do exist, both political and economic. The responsible decision maker of foreign policy may not consider them as important but he cannot ignore them, because they affect principal economic interests of Greek firms, as well as a tendency for excessive reserve on tactics which often forces us to make concessions.

Libya

Colonel Qadhafi's Libya with its popular committees is a favorite target for the opponents of the political party which governs Greece today. The reason for this opposition is that [PASOK] has recognized for several years now the need for coexistence with it in the Mediterranean area and the role it could play in the Arab world--due to its economic potential and Qadhafi's progressive policies--and also the fact that it established a permanent delegation in Tripoli at the moment when they all consider Qadhafi responsible for terrorist activities in the world.

They charged not only that PASOK received economic support from Qadhafi but also that it made commitments to adopt a different Greek policy in the Mediterranean.

But nothing has been proven. Moreover, Papandreou adopted this policy long before the possibilities to come to power increased. The relations of New Democracy with the Libyan regime were not at all unpleasant. Mitsotakis, Ath. Kanellopoulos and I. Palaiokrassas visited Libya with profitable results. An immediate result of these contacts was a series of agreements for the development of the Greek-Libyan economic-cultural relations and cooperation in the sectors of research and technology.

There were practical results with the purchase of Libyan oil, the formation of a joint fishing company, the opening of a Piraeus-Bengazi shipping line, the offer of technical aid from our country in such sectors as farming, telecommunications, military training, tourism, etc. ...Another significant agreement was the one relating to education and labor manpower.

There were also agreements to continue the continuation of cooperation in special sectors such as electricity, health, sea transport, supermarkets, cultural cooperation, advisers, telecommunications, fishing and sponge fishing. Appended to the agreement was an indicative list of commodities for export from Greece to Libya and vice-versa. It is especially important to mention this list today because with a simple announcement of the Libyan Embassy in January (1982) most of those commodities were banned from import.

The listing of the agreements was not in order to present the panorama of our economic relations with Libya but to make more understandable the current thinking of the Greek side on the future of our relations. We do not speak, of course, about the political aspects--the Greek government. The will exists for overcoming the obstacles. But the government must first convince the Greek exporters, engineers, technicians, etc., about the quality of these relations.

In a recent report--which appeared in the Greek press--the Greek commercial attache in Tripoli, Khristos Athanasopoulos, presented certain difficulties. He said in his report:

"...The issuing of visas for Greek merchants by the Libyan People's Bureau in Athens must be simplified."

Further, referring to the visa issue, he again said:

"...It is at least unfair for the Libyan People's Bureau to follow this policy."

Regarding the arbitration of existing differences, he said:

"...The Libyans do not accept international arbitration as a way for resolving trade disputes. A fixed condition in the contracts they sign is that only the Libyan courts have jurisdiction on the settling of trade disputes."

It must be added that in such cases the Greeks--just as other foreigners--have no right to appoint the attorney of their choice. He is appointed for them by the Libyan Bar Association.

Finally, to complete the picture concerning the existing difficulties, the same commercial attache calls Libya in another part of his report "a very difficult country." It must be noted that in the last year the Greek exports to Libya did not progress at all but remained stagnant.

The Greek imports from Libya were covered approximately by 90 percent through the purchase of oil and the same happened in 1981 and according to all facts will continue this year, too. From the point of view of the balance of payments we are approximately at the same level while it must be noted that Libya is the second consumer of Greek products in the Arab world after Saudi Arabia. But the problems that have emerged are numerous. In the case of shipping, the questioning by Libya of fishing rights in the Syrte Gulf and in the illegal extension of Libyan territorial waters to 200 miles are problems the previous and the present government do not wish to discuss in any language other than that of diplomatic flattery. So it is a fact that ships and crews are held up in Libya, often without permission to contact for a long time the appropriate Greek authorities.

On fishing, the two countries agreed and set up a joint company. Participating from the Greek side is the Fishing Development Co. ETAAL. But the entire plan foundered on the continuing delays of the Libyan authorities which apparently had changed their mind in the meantime.

In the sector of sea transportation it had been agreed to have a double connection; that is, one ship from each side. Libya scheduled a ship for RO/RO transport. But it did not issue the necessary permit for the scheduling of the Greek ship. From the Greek side an application was submitted to the Libyan authorities by "Shipping Company Okeanis" (V. Sofias Avenue 35). The permit was not issued, the company lost precious time for half a year when its ship was tied up and finally sold it in May 1981. But in this case as well, the New Democracy government did not react seriously.

Technical Companies

But the biggest problem so far refers to the work of Greek technical firms. What problems are there? First and most important the Greek firms cannot pay salaries to the personnel with the result that the Libyan side arrests and holds Greek technicians as hostages. Second, often--especially in the last few years--the Libyan side does not pay on time with the result that the technicians are protesting and Libya arrests the company officials because...Libya itself has not paid its debts.

But Libya has debts not only toward the technical firms. Several commercial enterprises seek payment from the jamahiriya. They are essentially left on their own because here, too, the prevailing rule is the same: "Let us take the oil."

At this point we would like to make this observation: We contacted at least four companies which have money owed them by Libya. They all wanted to remain anonymous. Not because they are afraid of losing their work there but because they are afraid of losing their money. Thus, they accept humiliating conditions, hoping that jamahiriya will pay its debts whenever it pleases...in installments. But there were also the good moments, as in the meeting of Palaiokrassas and Abu Freida

[transliteration] in Tripoli last year. There they congratulated each other about the creation of a joint Greek-Libyan Investments Company. [Appropos] we will repeat a phrase of French President F. Mitterand: "And then?"

Nothing happened from this point on. We mean nothing tangible. And according to the experts, this too will follow the route of the joint fishing company: inaction. Beyond that, however, there is another aspect of the Greek-Libyan relations (this applies to the Greek-Iraqi relations as well), which provoke not the businessmen but those who cannot understand why we should accept this blackmail so cynically. We refer to the way Greek (and other foreign) companies are often invited to participate in bids for Libyan public projects. They are asked indirectly but clearly to bid not only on the cost and method but to offer as a "package deal" modern equipment for the Libyan army.

Nevertheless, our relations with Libya must be good. Because we share the same sea; because we have no essential differences; and because our interests are often the same. But [our relations] must be put back on a sound basis--a recognition of international law as a method for the solution of any differences. Any other form of relations hurts one side or the other, something which nobody wants. The Libyan delegation which visited Greece a few days ago, we believe, will cooperate in this spirit with the Greek government especially after the decision of the finance ministers of the Arab countries to help our country financially.

Iraq

Iraq is one more Arab country to which the new government has shown that it appreciates its close relations with Greece. Naturally it tried to strengthen them and to make them more substantial. Here, too, we see two factors: the political since the present government, as a political party, has declared its sympathy for the Baath Party and its innovative views in the Arab world; and the economic, in the sense that we buy large quantities of oil from Iraq, but also because of the prestige of Bagdad in the Arab world which the government sees as a potential investor.

The forms of cooperation in the case of Iraq are similar to those with Libya along general lines. The process of Frame-Agreements was implemented in periodic ministerial conferences. In the case of Iraq the problems are minor and the main relationships much better. In spite of the fact that Iraq is already in the second year of its war with Iran, the Greek firms constructing major projects are still there struggling to finish the work within the deadlines required under the contracts. The continuation of their work was made possible following an intervention by the Greek government--especially after a truly major effort on the part of our ambassador to Bagdad, G. Vandaris, who is now director of the foreign minister's office--an intervention which was positively recognized by the Iraqi government. The cooperation with Iraq extends to a dozen sectors such as: transportation (by air, telecommunications, shipping, roads), tourism, technology, trade, industry and education).

Our balance of trade with Iraq is negative but this is exclusively due to the large purchases of oil from that country. Already there is an examination of the

possibilities to increase exports of Greek products to Iraq, including tobacco (a special committee of the Iraqi tobacco monopoly visited Greece and examined the various varieties) and fruit juices.

A short period of problems came last year (1981) in the cooperation of the two countries. During this period Iraq expressed serious complaints to the Greek government on questions relating to the economic cooperation of the two countries. No doubt Iraq had a good reason. The result was that the Greek government suspended certain procedures relating to domestic consumption (here, too, the role of Ambassador Vandalis was essential).

Yet, again for domestic consumption rather than because the appropriate conditions were created, a section of the Greek press let it be understood, with governmental tolerance, that Iraq and Greece will make common investments in Greece. More specifically, there were reports about plans for a petrochemical industry and a new alumina industry, leaving aside the mistake of making investments in those two branches which currently face an international crisis and which are uneconomical (now Saudi Arabia has three petrochemicals, Libya one, and others in Iran and therefore the markets which were of interest to us are closed, while the alumina branch faces the worst crisis of its history since it has become obsolete as a material). There are additional reasons which render the announced projects impossible. The Iraqi economy is in bad shape because of the war. In addition to the large debt owed to the West, the two loans from Kuwait and Saudi Arabia reach 20 billion dollars. If these two countries continue their economic support it is because they were always afraid of having in their vicinity powers like Iraq and Iran. Today they have the opportunity to see both of them hemorrhaging with no other cost than the financing of that war. Being 20 billion dollars in debt, Iraq cannot seriously talk about investments.

But it can do other things, such as help us on a Pan-Arab level--where its voice is heard--to have others give us loans. It can bring its Mirage planes--if the French will allow it--to the Greek Aircraft Industry for maintenance. It can assure us a supply of oil in an emergency, or employ Greek technical firms and purchase many Greek products.

In the latest ministerial meeting an effort was made to study the sector of our exports to Iran. It was partly accepted as shown by the list communicated to the Athens Chamber of Commerce and Industry members in February 1982. Another promise was given to a minister that Iraq will use Greek cargo ships for transport to and from the country. Without saying that the promise is untrue, we are obligated to say that it is rather unlikely. First because the international press published a report that a similar agreement exists between Iraq and Bulgaria to use the approximately 3,000 trucks of the Bulgarian trucking fleet. Second, because the Bulgarians using "dumping"--since the company is state-owned--can offer prices 50 percent lower than those of Greece.

Another sector which could create conditions for cooperation between the two countries is ship repairs. At this stage the Iraqis need such facilities. We have the ability to provide for repairs as well as for the launching of vessels, especially during the current period.

Also, [we have the ability to] construct torpedo boats and missile boats which Iraq seeks in the European market and whose equipment presents no problems. In the other sector, electronics, it appears that already some cooperation has started. There is also some possibility for exporting automobiles from the Stayier Plant. Finally, the possibility of cooperation in the military sector is being seriously considered, especially the sale of light weapons from the Greek Arms Industry plant.

Many of those forms of cooperation are going to cause mixed feelings not only in the West but also in the Arab world. It is up to the government to decide whether it wants to play the [role of] "manager" or "Solomon."

From the Greek point of view Iraq presents considerable interest. For this reason, Greece makes special efforts to create a ferryboat between Volos and Lattakeia which will give us speedier access to the vicinity of the Persian Gulf. This plan may be implemented following a proposal by appropriate officials, from Volos to Port Said and from Suez through Saudi Arabia to Iraq.

There are possibilities therefore to develop our relations with Iraq, even though Iraq in spite of agreements did not buy fruit juices or fresh fruit (this is the result of the latest meeting of Iraqi officials in Bagdad with representatives of the Greek Agricultural Products Export Co. in mid-February), provided that the Greek side shows realism and that the premier's view that "the party is different from the government" will prevail. Enthusiasm is not one of the qualities of a government.

Our relations with the two countries mentioned in this article, but also with the entire Arab world, are no doubt of capital importance for the Greek interests: political and economic. The experience gained so far must be utilized to lead the present good relations to the point that they can be called excellent by both sides. It must be equally understood that the protection of the Greek interests, both political and economic, must be substantial--at least as substantial as the protection the Arabs want for their interests.

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PRESENTATION OF 1982 BUDGET ANTICIPATED

Budget Provisions

Athens TO VIMA in Greek 7 Mar 82 pp 1, 6

[Article by Stathis Vlachos]

[Text] The 1982 tax policy and the state budget to be introduced to the Chamber of Deputies, reportedly tomorrow, contain a combination of tax deductions and new taxes. Greater priority is given to a more equitable allocation of taxes, strengthening national defense, support to education, health, welfare and social security. The philosophy and basic principles of the overall fiscal policy for this year are described in a government statement to be published tomorrow. The government spokesman stated characteristically yesterday that the new budget with the 1982 tax policy "provides long-range support for the Change."

The basic objectives include a more fair distribution of income and the effective control of public expenditures which are increased this year only where they were considered to be nationally or socially necessary or productively effective.

Income Tax

It is a fact that taxpayers will not pay greater tax on their incomes this year. The increases in wages, salaries and pensions will be kept almost unaffected from their decrease by inflation, by an appropriate adjustment of the income tax through the so-called indexing of tax rates and the increase of tax-free limits for family and other burdens.

The Small-Medium-Sized Taxpayers

The "protection" of the small and medium-sized taxpayers and especially of those salary earners or pensioners who were totally excluded because of high incomes or received small increases this year will be substantial.

The Tax-Free Limits

The individual exemption for the taxpayer himself is set at 25,000 drachmas (up from 20,000), for the wife also 25,000 (up from 20,000) while for the first and second child 20,000 each (up from 15,000) and are set proportionately for each child beyond the third and over. Special deductions apply to parents of many children.

Deductions

Tax justice is restored by limiting or unifying certain special tax allowances applying to certain categories of taxpayers.

These deductions were given under laws which either impose taxes in a special way or do not consider as income a percentage of the income of certain categories of businessmen, especially of small businessmen.

Several categories of businessmen are relieved of tax burdens they should bear so that each would be taxed according to his income. For reasons of equality but also in order to limit public deficits and especially the deficits of public agencies and enterprises, the so-called exemptions applied to certain categories of citizens in transportation, public entertainment or the import of cars from abroad, etc., are being abolished.

It is considered certain that police officers and handicapped veterans will continue to enjoy such exemptions.

Taxes for Third Parties

To make the distribution of the tax burden fairer, there is a restructuring of taxes paid by taxpayers in favor of third parties such as pension funds and other such agencies. The social whole is burdened today with 30 billion drachmas for the support of these funds.

The tax bill being introduced tomorrow together with the budget does not reject the necessary or expediency of those social resources because it is felt that in some cases there are flagrant privileges for some citizens against the general public. There will be balancing arrangements.

Tax Evasion

The prosecution of tax evaders will be relentless. The "prosecution" of major tax evaders will go on "by every possible means." It is estimated that the government will get between 30 and 40 billion drachmas from the auditing the tax service will conduct on the business and the self-employed.

New Taxes

To limit budget deficits (80 billion drachmas in the regular budget last year and 350 billion drachmas in the entire public sector) and also to finance PASOK's social program, it was judged as inevitable to impose additional taxes whose total, however, will not be enough to cover completely all the expenditures that have been budgeted so that a part will remain uncovered, but it will be smaller than last year. This deficit will be announced at the same time as the budget is introduced to the Chamber of Deputies.

Real Estate

On the basis of existing reports those who own real estate (houses, lots, farms, etc.) valued at more than 15 million drachmas will start, beginning this year, to

pay real estate taxes. The tax will be relatively moderate (around 1 percent) and will apply to properties worth more than 15 million drachmas.

The owners of real estate will be called to submit their first tax return in April or May at the latest.

Luxury Items

Beginning this week several commodities not considered basic necessities will become more expensive. These are imported as well as domestic products characterized as luxury items. The luxury tax paid by buyers will go up. Commodities on which additional luxury taxes will be imposed include: color TV, alcoholic beverages (whiskey, gin, vodka, champagne, liquor, luxury wines, etc.), expensive foods such as smoked salmon, luxury hams and sausages, canned crabmeat, shrimp, caviar, etc., cosmetics, perfumes, leather goods, furs, expensive textiles and luxury clothing, boutique items, gift items, electrical appliances, electronic items, photographic materials, watches, jewelry, precious stones, sporting goods, recreational crafts, etc.

The additional luxury tax on these commodities has not been determined as yet but it is reported at between 30 and 50 percent.

Business Turnover Tax

It is also expected that the prices of many commodities will go up as a result of additional burdens which in the end will be paid by the consumers. These burdens include the so-called business turnover tax which is imposed on the purchase or sale of any commodity and the stamp which is paid with every transaction.

The turnover tax which amounts to around 8 percent and the stamp which is 2.5 percent is paid by the consumers. The money is collected by the seller and transferred to the public treasury at fixed intervals. The stamp is deducted when the self-employed receive payment (approximately 1 percent) and is also transferred to the public treasury.

The percentage of the turnover tax will go up by two additional points and so will the stamp.

Fares

Very likely beginning this week the rates will go up in public transportation fares in Athens and Salonica. The increase will amount to 50 percent in buses and trolleys (the fare from 10 drachmas will go up to 15).

The increase was deemed necessary to limit the deficits of the corresponding agencies, which are estimated to total 14.5 billion drachmas in 1981. With the introduction tomorrow to the Chamber of Deputies of the first socialist budget and at the same time the opening of consultations on the issue of developmental incentives with the spokesmen of the industrialists, the workers, the artisans and the municipalities, the government tries to achieve the following:

1. To move forward its social program.
2. To establish effective control over public expenditures.
3. To limit drastically the legal tax avoidance and the illegal tax evasion.
4. To reallocate the tax burdens and incomes.
5. To promote the productive investments giving priority to investment of high and immediate yield.
6. To strengthen production by strengthening the purchasing power of the working people and especially of those with low incomes.
7. To discourage the excessive consumption of luxury items, especially those imported.
8. To mobilize the existing productive potential especially in the small and medium-sized enterprises which will be supplied with the necessary bank loans which will be guaranteed by the government.

Especially on this subject, the government is already taking the necessary steps to eliminate any bureaucratic and other banking obstacles to facilitate the swift and unhindered financing of small businessmen who will be able to obtain loans of up to 5 million drachmas without their own collateral guarantees.

Doubts Expressed

Athens EPIKAIRA in Greek No 710, 11 Mar 82 pp 17-18

[Text] The budget gives with one hand a few drachmas as a "tax relief" to taxpayers and takes with the other a few thousand drachmas from their pocket with many new and varied indirect and direct taxes. The ratio is one to six and more--that is, approximately 20 billion drachmas in reductions and 120 billion drachmas in new burdens.

The measures are in conflict with the public sentiment at all levels: with the petty bourgeois strata, the businessmen, the working people, the pensioners. Instead of lowering the tax rates, the government has increased the tax scale by 25 percent--as much as the inflation rate--resulting in real relief. For example, a taxable income of 481,000 will pay 86,530 drachmas instead of 94,480 in income tax. The tax credits are increased at the same rate approximately, and the result is the same. The same is done with the reduction of income a) from salaries (the highest limit is increased to 25 percent) to simply cover the inflation and b) from self-employment (the 35,000 goes up to 44,000).

The amount deducted for rents remains very low (30 percent up to 120,000 drachmas and 5 percent for over 120,000) while the upper limit of the deduction for baby-sitting in the case of working mothers is expanded only by the same rate as the inflation.

The table given by the minister of finance on the annual incomes (exempted from taxation) reaffirms the fact that tax exemptions on the whole do not even offset the rate of inflation. The income of a married couple with two children which is nontaxable goes up from 363,000 to 418,000 drachmas, i.e., by approximately 15 percent. It should be noted that the taxpayers expected substantial deductions as PASOK had promised.

New Taxes

The "deductions" have small or no significance at all; on the contrary, the new taxes, both direct and indirect, cover a wide spectrum.

The tax on real estate, which was earlier called by the premier "a small tax," has a rate of up to 2 percent (a 100 percent increase in this tax which until last year did not exceed 1 percent) and is imposed retroactively as of 1 January 1982. Family property is also regarded as real estate. This measure will have repercussions in the construction sector from which the government expects the revitalization of the economy. The farmer is also taxed on one-fourth of the value of his land. The extraordinary direct taxes on the overvalue of the readjusted fixed assets (lots-buildings) of enterprises which keep "fourth category type of books" will cause a reaction. The dividends are to be taxed, with repercussions on the half-dead stock exchange.

The multitude of indirect taxes on imported as well as domestic products will increase prices, increase inflation and will worsen the recession. The increase of the stamp tax and of the turnover tax is estimated to add five units to the cost of living index. The indirect taxes will increase the prices of prime necessities such as cigarettes, electrical appliances, etc.

The presumed extra incomes are being indexed (with 1978 as the basis) as in the case of a private car which will undergo an increase of at least 80 percent. The "assumed facts" can now be appealed, while they are completely abolished in the case of pleasure trips.

Reactions

Representatives of the productive classes underlined a few days ago (in anticipation of the new tax measures) the need to avoid new taxes. The chairman of the Athens Chamber of Commerce and Industry EVE Efrainoglou (who is by law an adviser to the government) made a statement (which remains timely to this day) and said in part: "Our tax system with its high rates is one of the heaviest, especially under conditions of high inflation. It oppresses the working person and is therefore a counter-incentive for greater effort by workers to improve their financial condition."

Chairman of the Salonica EVE V. Petridis said in a statement that "the imposition of new taxes, the high interest rates and the setting of limited profit margins compared to the increase of the overall expenditures of enterprises will bring a shrinking of commercial activity."

The new taxes are also causing adverse reactions in the area of labor organizations. It is noteworthy that even the trade union cadres of PASOK not only agree

with the common feelings of the masses of working people against the taxes but--some of them--directly criticize the government for the measures. In the banking sector in particular these manifestations are even stronger and presage possible public criticism of the government's tax policy.

Increased Prices Decried

Athens AKROPOLIS in Greek 11 Mar 82 pp 1, 7

Excerpts The frenzy of price increases--resulting from PASOK's tax extortionist policy--has already begun. Food and fuels come first. Their prices are the fire that will scorch and consume the meager increases given to working people; they will suppress the purchasing power of all incomes even further.

As of yesterday, the price of gasoline has gone up, while it is going down world-wide, as is the price of diesel oil, heating oil and liquid gas. Following close behind is the price of bread, cheese, coffee, beer, meat, cigarettes and even tuition. The increase of these prices will be announced in a few days. And the dizzying cycle of high prices will be completed with price increases for another almost 5,000 commodities.

The displeasure, indignation and uproar caused by this situation were topped off yesterday by an official confession: The burden from the new taxes will fall on the shoulders of the consumers, according to Minister of Commerce Akritidis.

Akritidis further argued that the total burden on the cost of living index from the new increases will not exceed 2.5 percent. But even the services of his ministry say that this figure is unrealistic because many items before they reach the consumer are burdened two and three times with stamp tax and turnover tax.

Fuels

In the meantime, the new prices of gasoline are increased as of yesterday along these lines: super, 43.80 drachmas per liter up from 43; regular, 39.70 up from 39; and diesel oil, 19.70 up from 19.30. Increases are similar for heating oil.

The minister of commerce signed and put into effect as of yesterday market price regulation No 18/82 which increases the price of liquid gas as follows:

a. Liquid gas in containers of 3 to 25 kilograms: wholesale, 33.37 drachmas per kilogram up from 33; retail, 37.10 up from 36.30.

b. Liquid gas in containers of more than 25 kilograms: wholesale, 32.06 drachmas a kilogram up from 31.70; retail, 35 up from 34.20. As an exception for the Dodekanisos Islands, only the retail prices are changed; for containers of 3 to 25 kilograms, 36.20 drachmas a kilogram up from 25; and for containers of over 25 kilograms, 34.10 up from 33.70.

Various Groups Voice Opposition

In the next few days the productive classes will present their views. The general administrations of the Athens Industrialists Association and the Athens

Merchants Association has scheduled a meeting for Friday. "The government measures caused a severe shock to the market place that will be difficult to overcome," said a spokesman of the business community, who added: "This is one more of the many times the government has surprised the business community with its extreme actions which increase the feeling of insecurity and uncertainty."

Nobody sells-nobody buys because nobody knows whether the new taxes and burdens will apply to existing inventories. The administration of the Penhellenic Federation of Commercial Branch Organizations which dealt with the governmental measures during its meeting yesterday underlined the following in a statement: The first conclusions cause serious concern. The business community is again called upon to bear the burden of dealing with the economic problems.

Panagiotopoulos

"New Democracy" ex-minister and Kavala deputy G. Panagiotopoulos, speaking on the effects of the new burdens imposed by the government on the market place, said:

"The government tactic of imposing indirect taxes thereby violating in practice the promise of the premier who tried to convince the Greek people that the government intends to beat down the "speculators" has intensified the profiteering. In contrast to the grandiose declarations of A. Papandreou, the announcement about the increased burdens has led the market place to stockpiling to sell their stock at a higher profit under the new prices.

"The government's indifference to the effects these measures will have on the consumers and the blossoming of a black market is shown by the recording of beer inventories in the warehouses following the announcement of the measures. The recording made no sense except for a statistical reaffirmation of the height of speculation to which the PASOK government inevitably pushed the market place. The implementation of the measures proved, at the same time, that the government is lying to the Greek people and is trying to deceive them when it declares that no food staples are being burdened when the price of milk and dairy products is going up by more than 5 percent because of the triple pricing of the producer (producer-processor-marketing-retailer); unless the government considers the most basic food staple a luxury."

C. Thanos

The known economist C. Thanos stated with regard to the premier's speech:

"A structural and long-term blow to the economy was given by the new budget. This is because it makes permanent in the country's economic system a cost inflation of explosive dimensions. At the same time, it sets in motion negative processes in production which will result in a dangerous increase in unemployment. Moreover, the new budget condemns the economy to a permanent income stagnation and investment collapse."

More specifically, Thanos observed in part:

- a. The total deficit of the general budget will exceed 300 billion drachmas.
- b. The increase of budgeting expenditures will reach 43 percent in the end.
- c. The tax burdens will bring the small and medium-sized businesses "to their knees."
- d. The new taxes will force the Greeks to use part of their savings to pay for them.
- e. The inflation to be caused in 1982 by the governmental policy is as follows:
 - 1. Approximately 20 percent transfer of inflation from 1981 to 1982 because of the indexing;
 - 2. Plus 4 percent, because of the expected devaluation of the drachma.
 - 3. Plus 5 percent, because of wage increases and other burdens on the production cost.
 - 4. Plus 4 percent, because of the imposed indirect taxes and other budgetary burdens.

Total: 33 percent.

Nevertheless, Thanos observes, the premier and his associates assure the Greek people that the new budget will cut down inflation and reverse the downslide of the economy.

KKE-Ext.'s Dissatisfaction

Athens RIZOSPASTIS in Greek 11 May 82 p 2

[Text] The first consequences of the state budget became evident even before the budget was enacted. The 140 billion in new indirect taxes, totalling 403.8 billion drachmas of indirect taxes estimated for 1982, started being collected 2 days ago, 9 March, following an order by the minister of finance. The high prices hit the income of the popular masses. These prices are likely to be even higher than those justified by the burden of indirect taxes because of the extortionist activities of big private speculation.

The appropriate minister in responding to a question said that he is going to take measures. It remains to be seen, of course, what these measures are and when they will be taken. This is even more urgent because the measures which hurt the salary earner, the worker, the farmer, the petty artisan, the small merchant and the small businessman have already started having their effect because of the privileges, the irresponsibility, the extortionist practices of big business, the local and foreign monopolies--that is, the known heritage of the Right which was mentioned by the premier in his recent speech. The oligarchy controls with suffocating impact the country's economic and social life. This is today's

reality. But precisely because of this reality, the Greek people voted for the change. For this reason the popular masses struggle and will continue to fight to change these conditions and build a truly independent and democratic Greece. Their struggle will not be hindered by the crooks of the Right nor by the effort to beautify the present regime.

KKE-Int. Pessimistic Reaction

Athens I AVGI in Greek 10 Mar 82 p 1

[Text] The introduction of the 1982 budget to the Chamber of Deputies together with the statements of Minister of Finance Drettakis further clarify the government's economic policy under the specific conditions. This is a budget moving within a suffocating framework of inelastic expenditures with stagnant--if not reduced--expenditures for education, health and social welfare in general and with stagnant credits, compared to 1981, for public investments.

We do not question of course the destructive and chaotic economic condition bequeathed to the new government by the New Democracy. And we do not doubt that to overcome this situation diligent efforts and sacrifices will be necessary. The problem is who above all will be asked to make those sacrifices and to what extent have the consequences of the economic measures been assessed on the development of the economy, the ending of the recession and the holding down of inflation which is the first target.

From this point of view, the added tax burden amounting to 200 billion drachmas, with a depressing preeminence of indirect taxes which will fall indiscriminately on the shoulders of all the people, will contribute no doubt to a drastic cutdown of business in the domestic market place, with direct negative effects on the productive activity, employment and inflation. In the meantime, as is acknowledged indirectly by the Drettakis statement, the campaign against tax evasion had minimal results since it deprives the state budget of one-third of the revenues it should have, and which are now made up by new taxes. This picture of overtaxed people while the big capital continues to evade taxes and at the same time increases inflation and intensifies the deficit of the balance of payments, is very indicative of the situation we are going to face in 1982.

The premier, with the presentation of the budget found it necessary to speak on TV and to ask for understanding and support from the people so that "we can pass as painlessly as possible the narrow passage of 1982 to open new horizons in 1983, to put the country on the road to development." First of all, the assertion of Papandreu that "in a short period of time" every Greek citizen will have the possibility "to follow developments and be informed but also to chart himself the developments that have an impact on his life and fate" is not convincing. Because nothing so far points in such a direction. The people are not being informed properly and objectively as shown by their briefing on the country's economic condition and on the necessity of the choices which were made. Does the premier consider as information what he said or what the Radio-TV [ERT] Network said about the government's measures without even mentioning the new taxes, for example? How can the premier ask for the cooperation of the people without

first informing them? Broad appeals do not change the reality of people's lives nor do they win a steady popular consent.

We do not question that the government has taken several measures designed to help the low income groups--measures of social justice which reverse in large measure the picture of one-sided austerity under the New Democracy. The problem is that the severe economics and the additional sacrifices imposed now create a climate of strong social displeasure while they push price rises on all items of primary necessity. In the face of these prospects and this heavy cost, what is the government planning?

If the public administration is not put drastically in order--a public administration which is now geared to serve big business, the wheeler-dealers and the hidden economy--nothing can be achieved. It is necessary to have measures of effective popular control different from the over-centralized, bureaucratic models so that one can hope to stop the continuous hemorrhage of the public treasury and the criminal waste in favor of big business. Only in this way will the difficult days our people are called to undergo become a true beginning for a hopeful future.

7520

CSO: 4621/235

COMMENTS ON BUDGET, SALES TAX, FOREIGN INVESTMENTS PRESENTED

Reported FRG's Krupp Interest

Athens TO VIMA in Greek 12 Mar 82 pp 1,4

[Excerpts] A delegation of the giant German industrial Krupp complex headed by the vice chairman of the board, will arrive next week in Athens to negotiate concrete proposals for investments in large development projects in the country.

The visit is the result of the contacts which the premier, Mr. A. Papandreou, had a month and a half ago in Bonn, and, more specifically, of the meetings with representatives of the commercial and industrial circles of West Germany to whom the premier had made known the economic and investment views of the government.

During the month of March, representatives of three other German industrial firms will arrive to talk with the government about proposals for investments and building projects with regard to processing agricultural products, petrochemicals, nickel, and lead.

Accredited government sources let it be known that the Krupp company will submit to the Greek government analytical proposals for investments and building projects in the sector of minerals, energy production for highly technological equipment, transportation, and public works.

Of the group of proposals which the delegation will submit to the government, priority will be given to investments and mining projects for lignite, an electrical energy plant, and participation in the construction of the Athens subway.

Alarmism

Yesterday a government spokesman made the following statement:

"The government hoped for and was awaiting constructive criticism on the budget submitted to the Chamber of Deputies. Instead, both the ND and the larger part of the rightwing press have engaged in an unacceptable and unprecedented alarmism indifferent as to whether this procedure could have negative consequences on our national economy.

"In this downhill trend of irresponsible alarmism, a newspaper supporting the ND reported on the front page with a four-column headline, "Outflow of Capital Abroad."

"Thus the headline creates the impression that capital is transferred abroad. We now ask the newspaper to name the 'production circles' it cites and which gave it the information that an outflow of capital is expected as well as an increase in smuggling. If it does not know, then--indifferent to all consequences--for the sake of an irresponsibly alarmist opposition, it is attempting to create, in unacceptable ways, an atmosphere against the government's policy and, ultimately, against the national economy.

"The same newspaper as well as other newspapers which support the ND are attempting to implant in their readers the idea that dissension exists within the government and between ministers called realists and those who are not, but all this is nothing more than an outmoded ruse which recalls the ghosts of the past."

Mr. Averoff

In answering the statements of the government spokesman Mr. Averoff declared:

"The government spokesman is extremely inaccurate. Proof that the ND does not undermine, but is trying to aid the economic restoration of the country lies in the following:

"This afternoon, in speaking to representatives of a group of industrialists, bankers and technocrats of Bavaria, I supported the need for investments in Greece.

"Beyond this, in the conversation that followed and during which doubts were expressed because of the different measures taken by the government, I tried to counteract the arguments set forth.

"It is one thing to use this procedure, which is beneficial to the country, and another to suggest that the ND should not express its opinion concerning measures which are damaging and affect the people as a whole.

"This accusation and its analysis, on the one hand, constitutes a duty for us and, on the other hand, can contribute to holding back the government from its downhill slide.

"If the spokesman of the government believes that by his inaccuracies concerning the undermining and all the rest, he can shift the blame on us, he is mistaken. We will do our duty as dictated by our beliefs.

"The ND is not afraid of the scare tactics employed by PASOK in every direction.

"The only things that worry the ND as well as the population as a whole are the consequences of the economic policy of the government, which was manifested on another occasion by the humiliating taxation that was announced."

Krupp Interest Denied

Athens AKROPOLIS in Greek 13 Mar 82 pp 1,5

[Text] The Krupp industrial complex of West Germany is not about to make any investments in Greece either now or in the immediate future, nor has it any plans to send a delegation to Greece to pursue this purpose.

Thus what the pro-government VIMA announced yesterday with great fanfare about the coming to Athens of a delegation from Krupp and three other firms to make investments, has been contradicted by the facts.

In any event, this would have indeed been paradoxical in view of the fact that not only German investors, but also those of other countries, are not about to make a decision--according to informed sources--regarding any business activity before the Greek government defines unequivocally its investment policy.

In other words, the foreign investors are not content to accept the verbal assurances of the PASOK government and they want positive proof before being encouraged.

As for the nonexistent investments of Krupp in Greece, Mr. Koulopoulos, our Bonn correspondent, reports the following:

"Negotiations between the Krupp company and the Greek government for investments in Greece do not currently constitute a subject for discussion.

"This explicit statement was made by a responsible Krupp representative in an interview with AKROPOLIS. He added that neither at present nor in the immediate future is there foreseen a visit of company representatives to Athens to conduct negotiations.

"The same representative of the giant German industrial complex observed that the subject of cooperation of the company with Greece had been discussed in early February between the chairman of the board, Dr. Wilhelm Sayder, and Mr. A. Papandreou, during the visit of the Greek premier to Germany. It was then agreed to hold future talks, but no new meeting has been scheduled to date."

As is known, the activity that the Krupp company could undertake in Greece would not involve investments, but rather the resumption of certain construction projects as it had done in the past with the development of the Greek lignite industry.

On this subject, Krupp wishes to recall the fact that the company began its economic activity in Greece during the last century.

Within the last ten years, it has contributed significantly to the development of the Greek energy industry by contributing technical installations and technological know-how.

Besides its contributions in the lignite area, the Krupp company has contributed to the expansion of the cement industry in Greece and in the processing of coal for the production of manufactured gas.

In the past it has also provided a large number of cargo ships.

Budget's Reported Dangers

Athens I KATHIMERINI in Greek 14-15 Mar 82 pp 1,3

[Text] KATHIMERINI is publishing today's report which is based on its perceptions of the government's policy as it is shaped as well as on information often obtained from government sources, even if it is in danger of being misinterpreted by certain

vociferous members of the governing party and of being accused of creating alarmism. It is known that "journalism" was never applied to this profitable sensationalism. As it often harshly criticized the administration of the "New Democracy" governments, it today criticizes the administration of the PASOK.

No government gracefully accepts criticism, even when made by a truly independent newspaper. What follows is well known. The government spokesman each time easily denies and, even more easily, characterizes the different opinion as being alarmist; an "unfounded lie"; a "distortion of the truth" or, in the more dramatic cases, as "undermining the administration."

Naturally the news of a daily can be far more easily denied when it is not possible to give proof positive. Thus, no news would ever be published, but let us keep in mind that without news, there is no public awareness.

The Incentives Cannot Revitalize the Economy

The national income will drop during 1982 at a rate of 2-3 percent; the investments of fixed capital will show a drop of 15-20 percent in real value; many business are threatened with collapse while unemployment has grown at an alarming rate. This "alarmism" does not come from the Right, but from the ministers of the present administration who express their dissent with the tough fiscal policy which will be enforced this year in order to support the mammoth budget which was submitted to the Chamber of Deputies last Monday.

This shrinking economic activity is the consequence of the withdrawal from public consumption of the buying power of tens of billions of drachmas (by the method of increasing sales tax) with the result of a drastic reduction in the active demand which sustains domestic industry and trade. Popular consumption has already dropped in a series of basic products and enterprises see their business drop sharply.

Reliable sources report that the premier is especially worried about the economic developments (for this reason he made his dramatic appearance on television on the same evening that the budget was submitted) and, disappointed by his associates, is thinking of undertaking significant initiatives on his own in order to calm the productive classes and to convince them to temporarily postpone the mobilization of their protests against the fiscal measures.

According to the same sources, the overtures of the premier towards the productive classes will be in stages and will reach their peak within the next two months, in order to be integrated with the modifications and changes which will occur in the fiscal bill and in the development incentives bill, while it is not excluded that significant steps will be taken with regard to the composition and the responsibilities of the Supervisory Councils which will be created in the large enterprises to be placed under government control and, additionally, daring steps will be taken to support the problem-ridden ones.

All these "overtures", if integrated, will ratify the perception which is beginning to take shape within the narrow environment of the premiership and according to which it is impossible to enact, not only the policy of change, but any policy whatsoever when the practitioners of the economic activity themselves react openly to protect their lawful interests which are threatened by the fiscal attack by the government.

When the premier (as he emphasized in his television message) actually requests that the production sector not simply assist in the economic policy of the government, but join in it, it is evident that he has to use his prestige in order to dispel confusion and disbelief and to convince the representatives of the sector about the truthfulness of what he said on television, that is, that "from now on, the game will be played with an open hand and with honest rules."

The production circles, for their part have insisted in seeking the reestablishment of a channel for a direct and firm contact with the premier and it is believed that its results will be decisive in the forthcoming economic developments. This belief is based on these facts:

1. The confidence of the production sector that it can solve its problems through contacts and deliberations with the ministers directly concerned with the economy has been shaken, first, because what one minister promises another retracts and, secondly, because of the dissension, especially among the ministers regarding matters of economic policy. It is not by chance that, for instance, the positive atmosphere for investments and exports gradually being fostered by Mr. Lazaris was shattered in a few hours by the new taxation and anti-incentive actions of Mr. Drettakis.

As is known, the minister of coordination in his understanding with the business organizations had agreed that the readjustment of the fixed earning assets would have been optional and untaxable or that they would be charged at a low coefficient. On the evening of 8 March, after the budget had been submitted, the business circles were greatly surprised by the heavy taxation imposed on the value of readjustable tax on the lots and buildings (8 percent and 20 percent respectively) which, in addition, will be mandatory.

2. It has become clear by now that the economic policy as, on the other hand, the foreign, defense, etc., policy is ultimately shaped directly by the premier himself with the assistance of his immediate advisors. At one of the last meetings of the administrative council of an organization, its chairman, in making the suggestion to seek a direct contact with Mr. Papandreou, developed the following rationale:

"Gentlemen, it is no longer worthwhile to seek a meeting with the minister of coordination; the minister of finance or the minister of commerce. The offices no longer carry the weight and responsibilities we once knew. It is not by chance that the following remark is making the rounds in the halls of all the ministries, 'The government with the well-known Koutsogiorgas law has abolished the positions of the directors general for the simple reason that the ministers themselves have become the directors general...'

"Gentlemen, the seat of power and the decision-making centers have been moved upwards. With the creation of the KYSOP [Central Ministerial Council of Economic Policy] and NYSEA [Central Ministerial Council for Foreign and Defense Policy], the premier is the only one who can make decisions. Only then, through direct contact with Mr. Papandreou, to whom we will honestly submit the facts of the problem can he offer a solution."

It is to be noted that all the administrations of business have reached the same conclusion, especially after having decided that the budget definitely signalled

the end of the influence that the group of moderate, realistic ministers, headed as is known by the minister of coordination, Mr. Lazaris, had in the shaping of economic policy. The neutralization of this group had been reported by KATHIMERINI the previous Sunday and more recent information holds that confirmation of this development will be forthcoming as well in the next reshaping of the cabinet.

3. The immediate restoration of communication between the sector and the premier is considered of urgent and immediate priority. First to remind the leadership of the administration of the need to keep its pre-electoral promise of a dialogue and second, because the businesses find themselves in such a bind that, if there are no immediate solutions to their problems, they will begin to fold.

The following event which occurred the middle of the week at a ministry on economic affairs is characteristic. A group of five industrialists from Salonica was asking to see the minister immediately and when the latter finally appeared, they told him:

"Mr. Minister, we turn over to you the keys of our businesses. Nationalize them, expropriate them, make cooperatives out of them, do whatever you wish. We cannot hold on to them. After the increases in wages and the high interest rates, you now impose taxes which we are unable to pay!"

Disturbed, the minister closeted himself with them in a private office and desperately tried to explain the situation to them.

This episode is indicative of a more generalized atmosphere which exists today and which has severely affected every effort for revamping the economy. How can there actually be investments made when:

With the taxing of fixed earning assets an unbearable burden is placed on business at a time when they do not make any profit because it is evident that it does not involve over-evaluation, but inflationary readjustment. Hence, the question put to a minister by a businessman, who for merely straightening out his accounting must pay 250 million drachmas in taxes when his yearly gross earnings before amortization are about 60 million drachmas, is reasonable.

The increase in the taxation of the non-divident paying earnings and the increases from the taxes on real estate property combined with the increase in cost of industrial power and the tax on the readjustment of fixed earnings will significantly increase production costs and will decrease the competitiveness of Greek industry.

These tax burdens will limit, to a significant degree, the liquidity of Greek businesses, part of which is marginal, with the result that the problem-ridden enterprises will increase appallingly.

It is evident that the vacuum left by private domestic initiative, as far as investments are concerned, is not about to be filled by foreigners. First, because the foreigners as well as the nationals are deeply mistrusting and second, because their detachment from agreements and positions they had in the economy of Greece has already begun. After the decision of ESSO to withdraw, business circles have been impressed by the news that the largest bank in the world, the American Chase Manhattan has given notice that it will withdraw within a month.

Government Taxation, Monopolies Blamed

Athens O RIZOSPASTIS in Greek 14 Mar 82 p 16

[text] The wave of high prices which has hit the market is due to concrete reasons which are: first, the government's decision to increase the sales tax and to place all the burden on the income of the people through the immediate rise in prices on items of basic consumption. Second, the climate of confusion which has been created in the market by the policy which the government applied and applies regarding the enforcement of these measures.

It is indicative that the initial estimates of the Ministry of Commerce on the consequences of the imposition of the sales tax on the prices of the items whose prices were fixed by law, have been shown to be incorrect in the long run while no steps were taken to check on the "movements" of profiteers, as had initially been announced. It was exactly this controlled price climate and the uncertainty that exists but,--much more the lack of controls--that was exploited by industrial and import circles, with the objective of profiting at the expense of the people. The instances of withholding of products and the demands of industrialists to raise prices on basic items are indicative elements of the intentions of the super-sharks. Along with the above, there is the offensive of the Right aimed at bending the fighting spirit of the workers and to undermine the antimonopolistic direction of the popular struggle, which confirms how such options of the administration are "exploited" by the enemies of change.

Reactions to Economic Measures

Athens EPIKAIRA in Greek No 711, 18-24 Mar 82 p 19

[Excerpts] The economic measures announced by the government at the time it submitted the budget caused reactions, mainly in the opposition press, but also among the working and popular class. Despite Mr. A. Papandreou's appeal on TV and the justification of the new taxes, several classes reacted as soon as their application began to make itself felt. New reactions are awaited because there are instances of application of taxes which have not as yet made themselves felt by those affected.

The reactions of the press and, secondly of the classes, which, because of the PASOK domination in most organizations were relatively restrained, irritated the administration with the result that a strong statement by a government spokesman was issued.

In this statement, "the ND and the majority of the rightwing press" were accused of "engaging in an unacceptable and unprecedented alarmism, indifferent as to whether this tactic could cause negative consequences in our national economy."

In the same statement, they denied the reports about dissension in the administration regarding economics as well as to whether existed "realistic ministers or not."

It must be emphasized that the financial reporters of the opposition papers often mention this dissent and especially the existence of "reasonable" ministers, with Mr. Lazaris as the leader, who attempt to curtail "the crazy high-handedness" of the fanatics of "change."

The reply of the opposition was equally intense. The newspapers angrily rejected the accusation and printed copies of the present pro-administration newspapers at the time when they were in the opposition with raging headlines about the condition of the national economy and violent attacks against the government then in power.

ND: "You Are Sliding Downhill"

The reaction of the ND was moderate, apparently because of its leader's absence.

By coincidence, Mr. Averoff, that same day was speaking to a group of Bavarian businessmen and industrialists and was calling on them to overcome their hesitance and make investments in Greece.

KKE: High Prices in the Market

The reaction of the KKE was relatively strange. In the beginning it tried to downplay the unfavorable impression made on the popular classes by the application of taxes, but when reaction mushroomed, it first attacked the Right and then it attempted to throw the blame on the monopolies and the EEC.

Government Reaction

The reaction of the government to all this is always "negative." It does not accept the fact that the measures provoked such a substantial rise in prices so as to make life difficult for the lower income classes. It talks about minimal burdens and again places the blame on the ND.

At the same time, it attempted to create a favorable impression on public opinion by announcing (directly and indirectly) impending investments in Greece, but the Krupp company denied the news reported in VIMA of its intention to make investments in our country.

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ECONOMIC RELATIONS WITH GDR VIEWED

Duesseldorf HANDELSBLATT in German 16 Mar 82 p 5

[Article by Christa Meyer-Koester: "Leipzig Spring Trade Fair: No Signals for Inter-German Trade"]

[Text] Leipzig, 15 March 1982--It has rarely been as apparent as it is this year: the Leipzig trade fairs are viewed with undue optimism.

After the start of the inter-German dialogue between FRG Chancellor Helmut Schmidt and State Council Chairman Erich Honecker last December it was generally assumed (and hinted at on Lake Werbellin) that the trade fair would launch some signals for new improved conditions, including inter-German trade.

But what has happened to date? Nothing. In his meeting with Otto Wolff von Amerongen, who enjoys the reputation of being a devoted broker of East-West trade in the GDR as well, Erich Honecker remained emphatically noncommittal. Not one of his remarks, delivered with great flourish, showed any signs of specific political significance. Unless it was the desire to unfurl a great "umbrella" against current political heavy weather.

It is obvious that inter-German trade, which is proceeding more smoothly in its basic outlines than had been assumed just a few days ago, is considerably lacking in stability. The GDR worries to what extent the U.S.-ordered restrictive measures are impacting upon it; its FRG trade partner has not answered the question about an extension of the interest-free swing overdraft credit.

A new agreement must be arrived at no later than 30 June as to whether this inter-German trade support is to remain at its present level (up to DM 850 million) or whether it is to be reduced to its original limit of DM 200 million. In any case, at the opening of the trade fair it appears that not even the meeting between FRG Minister for Economics Otto Graf Lambsdorff and Guenther Mittag, Politburo member responsible for economic matters, will provide any clarification. Regardless of its steadily increasing need for foreign currency the GDR stays entirely noncommittal, especially since Bonn has declared unequivocally that there is linkage between so-called humanitarian measures and a continuation of swing at present levels.

A number of observers of inter-German trade suspect that the modest use of swing--at an annual average rate of DM 677 million for 1981, reduced even to DM 482 million at the end of the year--is a sign that the GDR is now prepared to agree to a reduction in swing levels so as to avoid having to pay a political price. These tactics would hardly correspond with the umbrella mentioned by Honecker--it is merely a euphemism for the fear of world political turbulence--but then, where has logic ever carried the day in the problematic East-West relationship?

The victims of this complicated situation are the firms engaged in inter-German trade. Particularly the construction engineers, who for many years determined the rates of increase, are facing an uncertain future. In view of drastically reduced investment plans in the GDR and all other CEMA countries, continuing high interest rate policies in the FRG, determined support for export in competing European countries, and now complete uncertainty over continuation of swing, they can only recapitulate thus: those construction projects which can still be completed as a result of GDR orders, will probably be delivered to Japan, Austria, Italy and France, since those countries are in a position to offer financing at 2-3 percent below market interest rates.

9273

CSO: 3103/373

STEEL MERGER SEEN AS DEPARTURE IN ECONOMIC POLICY

Paris LE NOUVEL ECONOMISTE in French 15 Feb 82 pp 38-39

[Article by Jacques Barraux: "Steel: Merger in the Ruhr"]

[Text] The liberal principles of the German steel leaders have not resisted the increasing unemployment in the Ruhr. The state will now be openly intervening in order to accelerate the reorganization of factories. The founding of Ruhrstahl inaugurates this new policy.

It's the end of an era--West Germany, strict guardian of liberalism, declared enemy of public aid to the steel industry, is becoming mired in the path taken by Italy, Great Britain, and France. Now that it is being affected by the steel crisis, Germany is becoming openly interventionist and nationalist. "The federal government welcomes the merger between Hoesch and Krupp," Chancellor Schmidt recently declared. "The two parties must calculate the cost of their reorganization plan. The federal government and the Bundestag are ready to help in the financing. Several years ago we granted sizable fiscal aid to the coal industry. No one will be opposed to our now helping the steel industry with large sums." It could not be more clear.

This merger between Hoesch and Krupp is a curious affair; it was announced before Hoesch had broken with the Dutch firm Hoogovens. Located in Dortmund in the eastern Ruhr basin, Hoesch had combined its operations with those of Hoogovens at IJmuiden (on the North Sea near Amsterdam). A binational holding company--baptized Estel--was created on the model of Fokker-VFW (a German-Dutch aeronautical alliance which itself has since folded). The Hoogovens complex, magnificently located on the sea, provided Hoesch with crude steel, which it manufactured into flat products, special products, and special steel in Dortmund.

For the most part the Dutch knew only disillusionment during these 10 years of cooperation. Their seaside steel industry somewhat supported the aging plants in the Ruhr. On Hoogovens' side, the accounts remained balanced. On Hoesch's side, the losses increased from year to year. The directors of the Dutch firm were naive enough to absorb the German losses passed on to the accounts of the Estel holding company: a total of more than 2.5 billion francs to 1981. Persistent rumors about negotiations with Krupp were necessary

before Hoogovens' directors decided that charging Hoesch's 1981 losses to Estel was not normal.

Theoretically, Estel should be able to survive the new Hoesch-Krupp alliance. In Bonn and the Hague, the government authorities seemed to want this. But no one within the firms really believes this, because everything is encouraging the German steel industry's industrial nationalism. The era of transnational solutions is over. First of all, it is a significant matter of domestic policy. Hoesch and Krupp both belong to the Ruhr. Krupp is located in Bochum, very near Dortmund. This entire sector is a bastion of socialism. (The Rhineland-Westphalia government is SPD.) Moreover, Hoesch's president, Detlev Rohwedder, is a Social Democrat activist who was recently secretary of state for economics. The Bonn government will not remain impassive while faced with the employment problems of the Ruhr.

In addition, the major leaders of German steel find themselves on the defensive. Until recently they were convinced that they were invulnerable to the crisis which has been affecting European steel for 7 years, and they were dumbfounded by the drop in their sales during 1980 and 1981. For the first time the giant Thyssen, number one on the continent, (11.1 million tons produced in 1980-1981) had to admit to slight consolidated losses during its last fiscal year. Of course, Dieter Spethmann, president of the board of directors, has already announced improved figures for 1982, but the force of the shock received by his firm can be understood when you realize that the traditional iron and steel industry accounts for about 25 percent of his total sales volume.

It is clear that a reorganization period is just beginning in West Germany which will not fail to dampen the climate within CECA [European Coal and Steel Community] a bit more. After Thyssen, the Krupp-Hoesch coalition will set the tone. It is sponsoring the founding of a challenger with 10 million tons produced in 1981 (and 50,000 employees). A new company will be created: Ruhrstahl, controlled 50-50 by the iron and steel subsidiary of the conglomerate Fried Krupp and by Hoesch AG. Iran, 25-percent stockholder in Krupp steel, approves the transaction. Wilhelm Schneider, president of the Fried Krupp board, recently revealed that since 1975 steel has been responsible for a "substantial loss" of almost 2 billion francs for the firm. Ruhrstahl's partners both have money problems, even if Hoesch seems infinitely sicker than Krupp Stahl.

Obsolescence

The first investment of the new group will be for a 3.5-million-ton steel plant which will be built at Dortmund, where it will replace four obsolescent factories. The rest of the conversion plan for the two partners' factories is estimated at 12.5 billion francs.

If this investment program is massively aided by the government, as Chancellor Schmidt has just announced, then other German producers will probably also want to benefit from the favors of the state of the Lander.

The federal government, however, did not wait for the emergence of Ruhrstahl to help the iron and steel industry. During the reorganization of the Saar's factories in 1978-1979, almost 5 billion francs of public money was injected by the Bonn government and the Saar Land through Arbed. In addition, there is the annual aid given to the Salzgitter firm of Hanover, which is in bad shape, and which some of those close to Schmidt would have liked to have seen added to the new Ruhrstahl. (But Hoesch and Krupp did not).

The strongest liberal lessons of Otto von Lambsdorff, minister for economics, are the credits, as discreet as they are varied, which have been granted regularly to the German iron and steel industry: regional aid, 10-percent subsidies for investments for converting or for improving efficiency, research help, fiscal measures, etc. The only visible aspect of the iceberg is a plan to aid 1982-1985 investment which has been presented by the Bonn government to the European Commission. This plan, which is still under study in Brussels, calls for 1.5 billion francs in direct aid to steel.

Concentration

Ruhrstahl is far from being the only company asking for public assistance. The future of the steel business of Klockner Werke is in question. (It has been shifting more and more toward the machine industry.) Will Klockner and Salzgitter try to work out an agreement? It is not out of the question.

All the current maneuvers tend toward a concentration of forces and a growing implication of the government in the life of West German steel plants. The powerful IG-Metall trade union group, which, because of joint management, has a veto right in the firms, is not displeased with this change. Only Spethmann, the boss at Thyssen, seems to be dismayed by this invasion into the sphere reserved for ironmasters. Germany is definitely undergoing a complete transformation.

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CSO: 3100/387

BRIEFS

POLAND PAYS 1981 INTEREST--For all intents and purposes, Poland has paid 1981 interest to more than 500 Western creditor banks in full. Last Friday was the agreed upon deadline for final payment. In German banking circles it is believed that the examination of accounts will be completed by 31 March, as intended. Signing of the refinancing agreement for about \$2.4 billion between the Western creditor institutions and Warsaw's Bank Handlowy, together with the Polish Government, is scheduled for 6 April in Frankfurt. Negotiations on refinancing repayments for 1982 will probably start immediately after the agreement is signed. However, the situation has in the meantime become more complex. The refinancing concept proved that Western governments would not only grant a moratorium on payments, but that they would also give Warsaw additional credit guarantees. This was to have helped Poland to pay interest to the banks. A balance of payments was not expected for several years. However, Western governments are not giving any credit guarantees to the Warsaw government because of the state of martial law. Negotiations on refinancing are also being held in abeyance. Payment of interest has therefore become still more difficult for Poland. For instance, Poland has not yet paid any interest this year. In its negotiations with the banks, the Polish Government will therefore press for a delay in interest payments for 1982 also. For their part, the lending institutions will try to insist on interest payments. [Text] [Frankfurt/Main FRANKFURTER ALLGEMEINE in German 27 Mar 82 p 11] 9273

CSO: 3103/373

SOKULLU INTERVIEWED ON STATUS OF CHEMICAL INDUSTRY

Istanbul DUNYA in Turkish 16 Feb 82 p 4

[Interview with Karbokimya Corporation Director General Engin Sokullu by Yucel Gurtekin]

[Text] There is a sector in our country that is developing from one day to the next. It is the chemical sector. Despite the fact that its progress is slower than that of other industrial branches, our chemical sector holds a place among the sectors that, with developing technology and investments, promise hope for the future. Officials of organizations in this industrial branch state that the major reason for their own sector's failure to develop rapidly is that this branch requires a higher degree of integration and a greater number of intermediate stages than other branches. Engin Sokullu, founder of the Karbokimya Industry and Trade Corporation and its director general, spoke of the great developments that have taken place in this sector since the firm's establishment 10 years ago and gave DUNYA his views on his corporation and the chemical industry.

(Sokullu studied in France and America after graduating from Galatasaray Lycee. He received masters degrees in chemical engineering and business administration from the University of Wisconsin. Following 4 years' work experience in America and Turkey, he founded Karbokimya.)

[Question] In what industrial activities has your corporation engaged and through what stages has it gone since its establishment?

[Answer] Our firm was founded in 1972 as an organization with many partners in order to produce phenol resins in particular and, at a later date, other industrial chemical products. Our corporation began manufacturing in a small, rented factory. Because successful results were achieved immediately, production and industrial activities developed quickly. In addition to the former products, our factory, located in the village of Omerli on the Sile Highway, has step-by-step undertaken projects and started producing goods such as diaphragms for manufacture of caustic soda, hexamethylenetetramine, Super-K, dinitrosopentamethylenetetramine, and zinc oxide.

[Question] Toward which sectors are the products that are manufactured by your corporation directed?

[Answer] Several of our products are manufactured for the tire industry in particular. Zinc oxide is the activator for rubber. Fluoricarbon is the agent that causes swelling and foaming. Hexa is the accelerator. These products, however, have important uses outside the tire industry as well. Zinc oxide, for example, is used to a wide extent in industrial branches such as the porcelain enamel, match, animal feed, and ceramic industries.

Fluoricarbon is utilized, too, in the plastics (PVC) industry. Hexa is a chemical hardening substance used in the Bakelite, melamine, and the brake-lining industries. It is also an active ingredient in kidney medications.

Among our other products, diaphragm's caustic soda areas of use are extremely varied. This chemical is used as an intermediary and catalyst in such diversified industries ranging from the chemical industry to the paper industry, from the petroleum test-well industry to the soap industry, and from the metal industry to the textile industry.

Super-K is an industrial cleaner. It is utilized, in various forms, in a number of industrial operations from the cleaning of soft-drink and alcoholic beverage bottles to the cleaning and disinfecting of yogurt facilities to even the cleaning of surfaces prior to painting.

[Question] I believe that you have a significant advantage due to the fact that your products are used in an extremely wide range of sectors. Will you continue to pursue this policy?

[Answer] Turkey's economy was very unstable during the past 10 years. For this reason, we sought not to place all our eggs in one basket. However, I believe that the next 10 years will be more stable. Therefore, we will not suffer losses due to a certain amount of specialization. In fact, we have adopted the policy of benefiting through specialization.

Henceforth, we will choose as our new projects from among the catalysts needed by the tire industry that are termed "rubber chemicals."

As you know, the rubber industry uses hundreds of specialized chemicals. Except for a handful, all are imported. Because the rubber industry in our country (tires and other products) is developed, domestic demand has reached a maximum to render necessary production of most of these goods.

Furthermore, because these products are manufactured by a limited number of corporations in the world, export prices are high, and the opportunity to export is strong.

At present, we produce three of these goods -- zinc oxide, hexamethylentamine, and dinitrosopentamethylentetramine. Our products have received

the utmost acceptance by rubber industrialists. This is what encourages us. Our customers are urging us to produce other chemical materials they use. From this standpoint, we have no problem in marketing. As for exporting, we are able to do so at competitive prices.

At present, we continue our project and research work on as many as 10 rubber chemicals from the accelerator, antioxidant, and antiozonant groups and from their intermediary products. We are in the process of making contact with foreign firms in regard to some of these. In the near future, we hope to be able to serve our rubber industry with an assortment of complex goods.

[Question] What type of method did you use in order to produce such a great number of products in such a short time?

[Answer] The method of growth applied by us at Karbokinaya resembles, to a great degree, that applied in the primary stages of development by Japan's industries. In this method, technologies used in nations whose industries are more developed than ours were not purchased or licensed, but were uncovered from various technical literature and documents obtained from other sources. These analyzed technologies are adapted to match the technological level and structure of industries in our country and of our corporation.

When embarking on a new project, we, before everything else, make a complete documentation study. The technical information obtained as a result of this study is adapted to our own structure and then is used in trial runs and developed in the laboratory and later in pilot, semi-commercial units. As a result of this work, samples in small and large quantities are test marketed, and customers' reactions are evaluated from the technical and commercial standpoints. For a successful good, production units of the ultimate capacity are developed and designed by our own technical team. The final project is put together by our assembly crew composed of specialized master workmen and engineers.

[Question] Are the technologies you develop less expensive and more successful than those you could purchase from abroad?

[Answer] In my opinion, technology purchased abroad is only successful under certain conditions. In fact, whether to develop technology within the domestic structure or to purchase it from abroad is a choice based entirely on economic criteria.

However, the primary condition required in order to be able to base this choice on economic criteria alone is to have developed a high technical competence beforehand.

If this competence has not been developed, the choice to be made is not one of economics. In fact, it is then imperative to use foreign technology. And this must be done no matter what the cost.

A number of firms whose technical competence has not been developed have been seen to have purchased, at a very high cost, technologies that do not fit into Turkey's structure or that do not even work. When we look at technical staffs of various industrial organizations that are praised for the brilliant and expensive facilities they have purchased, we can see that these staffs are forced to develop these facilities and even to maintain them using experts brought from abroad.

For this reason, it is our view to give priority to forming staffs that possess, before everything else, adequate technical capabilities. The only way to develop these staffs is by ensuring various technologies by the firm's carrying out work and research slowly and carefully and even by doing and undoing work.

We have some operators who look upon manufacturing recipes purchased from abroad as taboos. Nevertheless, there are alternatives in every technology.

Flexibility and development must match changing commercial conditions. An industrialist's hands are tied if he has been unable to develop his technical staff, if he has been unable to obtain technology.

However, the method we propose is difficult and time-consuming. But, at the end of the road is success such as that of Japan.

Of course, those who are attaining specific technical competence must not hesitate to purchase technology if it is economic, because every research project bears a cost. If a technology can be purchased for less than this cost, buying it must be chosen.

[Question] Do you plan to ensure your growth entirely from within yourself?

[Answer] For an industrial organization, growth is inescapable. There is a statement in business administration textbooks, "Grow or die." For every product, there is a specific period of growth, of maturity, and of regression. Firms that do not branch out to production of new products for slack periods while goods are in the development and maturity stages can be left in very difficult positions if their goods enter a regressive phase. From this standpoint, it is necessary to develop other goods before current goods go into recession. Of course, there are also many other economic sides and benefits to growth.

Karbokimya's major policy has been, since its founding, based on growth. The geometric increase of an average of 100 percent per year demonstrates the success of our development policy. However, it is very difficult to obtain the financial resources from within a firm to maintain a continuous growth rate, and it is only possible to do so up to a certain point.

Giant industries in the West have been able to grow from within to a point and then, at a specific point, have been able to grow from outside by "mergers" or "joint ventures."

It is our moderate and long-term goal to be able to achieve a large and exemplary chemical complex that has the opportunity to compete in a Turkish economy opened up to the outside and in the world and that manufactures, in an integrated manner, hundreds of chemical substances.

[Question] What are your views as to general problems of the chemical industry?

[Answer] The chemical industry in Turkey, unfortunately, has been unable to develop to the same degree as other industrial branches. Our construction and mechanical engineers have accomplished a great deal in Turkey. However, in spite of the fact that this is my own profession, I can say that our chemists have not been very enterprising despite existing potential.

Another reason for our chemical industry's failure to develop rapidly is its need for a higher degree of integration and a greater number of intermediate stages in relation to other sectors. For this reason, a large number of chemical firms in Turkey, unable to secure under favorable conditions the basic necessities to produce at the fundamental or intermediate phases, lose their opportunities at the very beginning.

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CSO: 4654/189

KLIRIDIS, LYSSARIDIS DECLARE CANDIDACY

Nicosia C AGON in Greek 16 Mar 92 pp 1, 8

[Text] Two party leaders, Glavkos Kliridis of the Democratic Rally [DISY] and Vasos Lyssaridis of EDEK, have announced their decision to be candidates in the next presidential elections.

Kliridis announced his decision during a seminar of party cadres in Paphos while Lyssaridis' candidacy was decided during the special meeting of the party's Central Committee last Sunday in Nicosia.

Kliridis Accuses

In a speech in Paphos, DISY leader Kliridis sharply criticized President Kyprianou and said that with his errors, omissions and weaknesses in both the foreign policy sector and the country's governing he has fallen, internally and externally, into disrespect and bankruptcy. He accused the president of incompetency in handling the burning problems the island faces and added that the state is fractionized, the economy is tumbling toward a slump, corruption in financial affairs is galloping and the people's concern and uncertainty for the country's future is culminating daily.

State 'Partisanized'

Kliridis said that only DISY can bring about a change and that the baton for such a change was given to him by DISY with instructions to enter the presidential race as a candidate. He added:

"[The party] has entrusted me with the heavy burden of raising the flag of change and as a presidential candidate I will call upon the people to follow the road to salvation."

Lyssaridis

EDEK, on the other hand, yesterday released the text of the Central Committee's resolution which refers to the national problem and the internal situation and points out that PASOK's victory and Andreas Papandreou's ascent to power have created new preconditions.

The Central Committee was critical of Kyprianou because, despite his original statements about changes in policy, he continues the same one. The resolution refers also to the economic situation, observes that the prospects are not good and concludes that only the EDEK socialist party will bring about a change.

"EDEK in power means a national march specifically planned to terminate the occupation," states the resolution. "EDEK leader Lyssaridis will be a presidential candidate. All forces which believe in change should join the front of national salvation."

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CSO: 4621/258

RESULTS OF LYSSARIDIS-PAPANDREOU MEETING PRAISED

Nicosia TA NEA in Greek 19 Mar 82 p 5

Text The Lyssaridis-Papandreou meeting 2 days ago has given the opportunity to the socialist leaders of Greece and Cyprus to make a complete analysis of the events contributing to the situation in the area.

- a. At every opportunity the U.S. exhibits its determination to have a dominant role and hegemonistic control of the Mediterranean.
- b. The Turkish junta increases its provocations thus demonstrating its expansionist tendencies.
- c. Israel, following the Golan Heights provocation, again threatens southern Lebanon and the Palestinian people.

At the same time: the multinationals and domestic capital are attempting in a coordinated way to control the economic setup in the area.

For this reason the meeting of the two socialist leaders is of particular significance. The unity of the area's progressive forces is coordinating the confrontation of the imported and endemic dangers.

For many years, the divided and uncoordinated confrontation of neo-colonialism by the forces which struggle for national dignity and popular sovereignty facilitated the expansionist tendencies and overseeing of the enemies of the peoples' freedom.

PASOK's victory in Greece has virtually upset this weakness. Now there is: joint confrontation of the dangers; competitive conformity and chartering of a common course [of action]; real and meaningful coalescence based on common ideological foundations and common struggles.

The socialist forces of the area are joyous, while the liberating movements are strengthening their struggle foundations because only the safeguarded--for all--freedom can dream of days of peace and security.

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CSO: 4621/258

GREECE'S WITHDRAWAL FROM NATO SEEN CRUCIAL

Nicosia KHARAVGI in Greek 3 Mar 82 p 3

[Text] AKEL's Secretary General E. Papaioannou stated the other day, following his meeting with Papandreou, that he suggested to the Greek premier that his country must withdraw from NATO in order to be able to move forward the Cypriot people's just claims. Papandreou avoided commenting during his press conference on such an AKEL position while others argued that the two items are different or unrelated to each other.

Nevertheless, the reality is the way AKEL sees it. Greece has been a member of NATO from the beginning. But how did it defend its interests and the interests of Cyprus? Puppets of the leading NATO circles imposed on Greece with the blessings of the alliance a fascist regime which dishonored the country internationally and tortured its people. The same regime, again with the support of its NATO masters, planned and carried out the traitorous coup in Cyprus. NATO itself organized the Turkish invasion of Cyprus to cut up the island and dissolve the nonaligned and independent Republic of Cyprus. The Turkish occupation of a large part of Cyprus is continuing using NATO weapons and with NATO support. Moreover, the alliance continues to arm more and more the dictatorial regime of Turkey knowing that those weapons are aimed only against Greece and the Aegean.

How can Greece help itself and Cyprus by remaining within an alliance which has only brought destruction to Hellenism. And how can it become truly independent when it is mastered by foreign forces which have proven aggressive designs. Outside NATO Greece will be free of the visible and invisible yoke of imperialist enslavement and will be able to conclude new and truly equal alliances with peace-loving states which will help it eliminate domestic and foreign threats and face effectively the aggressive intentions of Ankara and to offer the necessary help to suffering Cyprus. Therefore, the withdrawal from the reactionary and aggressive North Atlantic Alliance is a national dictate both for Greece and Cyprus. In any event, this is precisely what Papandreou himself was underlining before the election.

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CSO: 4621/243

U.S. ATTITUDE ON BREZHNEV PROPOSAL ATTACKED

Nicosia TA NEA in Greek 19 Mar 82 p 3

[Article by Andreas Frydas: "A Sound Proposal"]

[Text] Brezhnev's proposal for suspending the installation of medium-range nuclear missiles to the European part of his country is a very sound and pacifist initiative. Besides, it came at a moment when the cold war is being revived, American aggression is being extended and Europe is choking under the pressure and frenzy of the arms race.

The small states, the oppressed people, the non-aligned movement, the hopeful people look at this race with fear. And the anxiety for survival becomes greater and overpowering when their neighboring countries applaud, promote and accept with plain militaristic arguments the development and installation on their soil and elsewhere of war machines and weapons for destroying humanity.

The tragic outcome of two world wars and their wounds still remain unhealed. The deformed thousands of Hiroshima and Nagasaki victims represent thousands of proof for averting wars and for preventing the superpowers from repeating a similar tragedy. [They represent] above all an incentive to avoid cultivating a climate of war which holds millions of people in agony about their tomorrow; to avoid tensions and to promote detente and peace--a peace which can be fully attained when every inhabitant of our planet is free from oppressors on his back and from conquerors on his land.

However, Brezhnev's sound initiative does not seem to move the Washington militarists who instead of promptly responding with a similar initiative (albeit a trial balloon, for instance) hurriedly reject it while strengthening further their hawkish tactics against various countries such as Libya, Nicaragua and El Salvador. The Washington paranoia and the hegemonistic attitude of its government reject this offer. Instead of responding in a positive way they promote their terroristic tactics against the weak and peace-loving people proving once more the terroristic and hegemonistic attitude of the United States--attitudes which make the nuclear thermometer rise. They also further promote the cold war and fight all efforts to eliminate the danger of nuclear war and the prospects for peace and security.

The Washington terrorists and the cowboy of the American policy play a deadly game. This is to the interest of the imperialist conspirators because through the steady tensions and insecurity they are able to justify their hegemonistic presence

and their bloody military interventions; to justify their support of blood-stained fascist regimes; to justify invasions and occupations by their proxies--such as the Turks in Cyprus and the Zionists in South Lebanon.

The people should be vigilant, however, and should be opposing the imperialists and their agents; they should claim and defend their ancestral institutions and their rights, certain that there will always have at their side supporters and fellow fighters in the struggle for peace--people who respect, claim and defend the same ideals of liberty, justice and peace.

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CSO: 4621/258

U.S., USSR ATTITUDE ON CYPRUS ISSUE CONTRASTED

Nicosia KHARAVGI in Greek 5 Mar 82 p 1

/Text/ The two major powers, the Soviet Union and United States, gave in the last few days almost simultaneously characteristic illustrations of their policy toward Cyprus. Although the gestures of the two countries differ in form, their content is subject to comparison and offers an objective measure to judge the attitude of Washington and Moscow on the Cypriot issue and how they view our country and our people.

On the American side we have Haig's announcement that economic aid to Cyprus is terminated because of the "blossoming" of our economy. The reason invoked by the American secretary of state to justify the decision of his government is patently untrue and deceptive. Washington well knows that the aid given to Cyprus was used to house the refugees and overcome the other consequences of the Turkish invasion for which the U.S. is directly responsible, and regardless of the condition of our economy these consequences will continue to plague our people for many years.

The real reasons, as Haig knows better than anyone else, are quite different. First, to punish Cyprus for not giving in to the American blackmail and voting for the UN General Assembly resolution which condemned the U.S. protege, the aggressive state of Israel, for its annexation of the Golan Heights; second, as a reaction to the Papandreou visit and the organization of the effort to internationalize the Cypriot issue outside the NATO context; third, and possibly most important, as a warning to Cyprus that any action on our part with regard to our political problem and the international situation which is not to Washington's liking will be followed by American vengeful measures against our interests.

Cynicism, amoralism, a fixed spirit of hostility, continuous efforts of domination and intervention in our domestic affairs, undermining in many forms, unending intrigues aimed at keeping the Cypriot issue within a context our people reject, and giving a solution which is in the interest of the United States--these are the principles which guide the American policy toward Cyprus. With the cutoff of economic aid and the last fig leaf falling off, the sworn enemy of Cyprus is revealed naked and unconcealed.

Diametrically opposite is the Soviet policy toward our country, as our people have known it for many years, and as USSR Press Attache Ivan Siarof reaffirmed formally and categorically the other day. It was declared once again that the Soviet Union

insists steadfastly on the complete and immediate implementation of the UN resolutions on the Cypriot problem. It calls for leaving the Cypriots alone, free of foreign intervention in the internal affairs of their state. It demands the withdrawal of foreign troops and the removal of foreign bases to safeguard the independence, sovereignty, territorial integrity, non-alignment policy, peaceful future and prosperity of Cyprus. At a time when Greece and Cyprus are working actively to convene an international conference in the UN context, the Soviet Union which was the first to suggest this process in August 1974, underlines the timeliness and significance of discussing the international aspects of the Cypriot problem in a representative international conference which will promote a just, peaceful solution and achieve reliable safeguards for the Cypriot state.

These positions are in line with the objective goals of our struggle and fully correspond to the vital interests of Cyprus and its people. The proven, steady principles of Soviet policy toward our country are always the selfless, the sincere spirit of support, the strict observance of our state existence, the consistent offer of multi-sided aid to our struggle. This policy makes the USSR an all-powerful, true friend for Cyprus compared to the American hostility.

Through our painful experiences, our people have put the two world powers in friendly or hostile camps on the basis of their policies. The latest actions of the U.S. and the USSR reaffirm once again the soundness of those popular assessments.

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CSO: 4621/243

COMMENTS ON REPORTED SOVIET SUPPORT

Support Seen Renewed

Nicosia KHARAVGI in Greek 28 Feb 82 p 3

[Text] The speech of the Soviet military attache in Nicosia 2 days ago reaffirmed once again the policy of support to Cyprus which the Soviet Union follows successfully. This great country remains steadily committed to securing Cyprus' total independence, sovereignty, territorial integrity, nonalignment and demilitarization. The Soviet Union actively supports the withdrawal of foreign troops and war bases, rejects every foreign intervention and supports the arranging of the domestic aspects of the problem by the Cypriots themselves through a peaceful dialogue.

The policy is completely in line with that of the Cypriot government and corresponds to the most basic targets of our struggle and the desires of our people. When such a policy is implemented by an all-powerful world power such as the Soviet Union, it objectively constitutes a precious source of strength, courage and hope for Cyprus. Yet, the effectiveness of the Soviet solidarity depends on the way and extent we utilize it ourselves. Commander Klisarof reiterated the Soviet position expressed since 1974 in the form of a specific, official proposal that an international conference in the context of the United Nations, which will take up the international aspects of the problem, will give a dynamic push to the just settlement of the Cypriot question. The Soviet reminder coincides with the reopening of the proposal for an international conference by the Cypriot and Greek governments and a certain rise in international interest at the idea of a conference. We believe that the readiness of the Soviet Union to help the realization of the idea must be utilized fully as a priority issue by our side. The practical organization of the international conference becomes now possible in cooperation with the USSR.

Soviet Stance Seen Changed

Nicosia O AQON in Greek 5 Mar 82 p 2

[Text] We are following with interest the apparent change in the Soviet attitude both toward Turkey and the Cypriot problem. Until recently the Soviet attitude has been uncertain and has given cause for repeated criticism.

Not long ago the Soviet officials not only avoided any condemnation of the military regime in Ankara but competed with the U.S. in the discovery of mitigating circumstances for the imposition of the dictatorship repeating the argument of the junta that it put an end to the terrorist activities and the daily killings. This favorable attitude has changed recently with the expression of changes at the savage terror tactics against the progressive Turks.

For us, however, more interesting is the apparent change on the Cypriot question. Also until recently the Soviet Union carefully avoided condemning by name the Turkish invasion and occupation, limiting itself to statements that it had voted for the UN resolutions for the withdrawal of foreign troops from Cyprus.

In his press conference 2 days ago the spokesman of the Soviet Embassy went one step further and stated that any military action against Cyprus must stop. The commentary of Radio Moscow went further, saying that the invasion was a planned landing.

We expect that the change in the Soviet attitude will be completed with a direct condemnation of Turkey, and that it will announce that the visit of our president to Moscow will take place at last on a specific date.

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CSO: 4621/243

AKEL, DIKO, PAME ALLIANCE CONSIDERED CERTAIN

Nicosia O AGON in Greek 11 Mar 82 pp 1, 8

[Text] In a few days, the Democratic Party [DIKO], AKEL and the Pan-Cyprian Restorative Front [PAME] are expected to announce an agreement of cooperation in the coming presidential elections, supporting the candidacy of Spyros Kyprianou, the president of the republic and president of DIKO.

The consultations, contacts and understandings between the three parties have peaked in the last few days and according to well-informed circles, they ended in an agreement which contains the terms for the cooperation of DIKO, AKEL and PAME.

According to the same reports, the agreement covers in every detail the framework of cooperation and contains guarantees that the terms contained in the agreement will be respected and faithfully implemented before the electoral campaign and after the reelection of Kyprianou, which the parties consider as "certain."

The agreement refers to the policy which will be followed on the Cypriot question and the actions to be taken to move it forward on the question of a government reshuffling which according to all indications will be realized before Easter and the policy which will be followed on several domestic issues.

More specifically, on the Cypriot question the three cooperating parties will seek a solution through the intercommunal talks based on the summit agreements and the resolutions of the UN while at the same time they will take steps to promote the rapprochement of the two communities. The agreement is expected to be announced early next week and immediately thereafter President Kyprianou will announce his already known decision to be a candidate for the presidency.

Late efforts to include EDEK in the "Democratic Cooperation" (as the group of the three parties will be called) did not succeed. EDEK President Vasos Lyssaridis repeated that he cannot cooperate with the three parties because their policy on the Cypriot issue is diametrically opposed to the EDEK policy.

It is considered certain that Lyssaridis will run for the presidency as EDEK's candidate. The EDEK Central Committee is scheduled to meet for this purpose on Sunday when it will reach a final decision.

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CSO: 4621/243

GREEK, TURKISH CYPRIOT, TRIPOLI MEETING PRAISED

Nicosia KHARAVGI in Greek 20 Mar 82 p 3

[Text] For the first time since the tragic 1974 events, leaders of political parties from both communities are meeting today as a group around the same table to discuss the Cyprus question. This fact by itself alone suffices to give a historic character to the meeting in Tripoli between delegations of AKEL, the United Democratic Union of the Center [EDEK], the Liberation Party and the Republican Party. The meaning of the meeting, however, is not limited to its uniqueness alone. The two communities expect from it more tangible, more practical results.

Undoubtedly there will be opposing views at the meeting. The important fact, however, is that a dialogue, a direct contract is inaugurated which is both useful and necessary in order for the popular forces of the two communities to be able to contribute decisively to a just solution of the Cypriot question without outside interventions. Beyond this, there exist on both sides of the "green line" democratic forces which support rapprochement, normalcy, symbiosis and cooperation within the framework of an independent, sovereign, non-aligned and demilitarized Cypriot state. The Tripoli meeting is a practical step in this direction, toward pinpointing common positions and the method for coordinated action for their implementation.

We believe that achieving a close understanding between the Greek and Turkish Cypriot forces concerning the importance of the intercommunal dialogue could contribute in bending the intransigence of chauvinistic circles so that this dialogue could assume a meaningful substance and open the way to a just solution of the domestic aspect of the Cypriot problem, thus facilitating the international interactions in promoting the international aspect of the problem. With such hopes, we greet the Tripoli meeting and expect it to be successful for the good of Cyprus and its people.

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CSO: 4621/259

FAR RIGHT ATTACKED FOR UNDERMINING UNITED PROGRAM

Nicosia KHARAVGI in Greek 21 Mar 82 p 1

[Text] The extreme Right has already undertaken an intensive preelectoral campaign. Its main objective is to climb to power, duping the people, in order to bring "a substantial change" in the foreign and internal policy of the country. To make, that is, more anti-popular the internal policy and more pro-imperialistic the foreign policy of Cyprus; to serve the anti-popular interests of the insatiable plutocracy and of the parvenu millionaires; and to change the non-aligned policy of the Republic of Cyprus by placing it in the channels of its NATO allies.

The content, the substance and objectives of the rallyist [Democratic Rally-DISY] policy do not differ much from the political objectives of the Greek junta and its ally EOKA B 10 years ago in Cyprus. Only its foreign policy has changed--it is more democratic and has adjusted, as its slogans have also, to the spirit of the times. But they have not forgotten their demand for purges and cleansing, scorning the fact that behind each revealed impropriety, fraud and abuse there are usually people of the "true Right," people of their thinking.

The extreme Right which has "politicized" (according to its own definition) the coupists and staffed its party with them--DISY, that is--has learned a lot from the EOKA B defeat and its terrible isolation during the decade of 1970. It learned well that it cannot compete successfully with united and patriotic forces of the people nor with the assistance of its foreign allies (such as were then the [Greek] junta, Kissinger, Luns and all the NATOist leaders) nor with local legal or illegal conspirators (such as the three [church] metropolitans, the armed forces, the saboteurs and fifth columnists in key positions of the state machinery).

The extreme Right has fully understood what popular unity means, albeit unorganized and spontaneous as it was during the 1972-1974 critical days and the tragic days following the invasion. It felt its omnipotence when the people rallied around Makarios who derived all his strength from the people and the people's unity. It felt the omnipotence of the people's unity in the person of Makarios when he was in exile and when he died. Even today they shudder when they hear the Makarios name because he and only he had become the personification of this anti-juntist, anti-imperialist unity, because all "Makariosist" forces rallied around him. The [extreme rightists], not wanting to be known as antipopular, named themselves "anti-Makariosists." But it is not Makarios and his moderate policy that troubled them so much as the rallying and unity of the patriotic forces around him.

Especially the fact that the popular, responsible anti-imperialist AKEL forces and those of the Popular Movement consciously and unconditionally joined this patriotic unity which looked much like a "popular front" when it fought the junta, the imperialist conspiracy and EOKA B, their local faithful agent.

The DISY leaders are absolutely right therefore to tremble and be afraid of the "popular front" as they call the patriotic unity and cooperation based on a minimum program. A broad rallying of the patriotic forces around a collective leadership and a common program for domestic and foreign policy would strengthen the Cypriot state and its authority here and abroad and would foil the plans of those who undermine it internally and fight it from the outside.

DISY's leaders spent day and night with the nightmare of the patriotic unity and cooperation of the popular forces. NATO's leaders also are concerned equally if not more. When we speak about this unity the DISY followers act stupidly and get confused. Their every word and action aims at foiling any political cooperation of the democratic forces because it will halt DISY's drive to power. Their main effort is to fragment the forces of the Center and to torpedo any alliance with the patriotic Left. A split in the democratic Center awarded them satisfactorily in the parliamentary elections and would give them a greater award in the presidential ones. For this reason their agents work systematically within all persuasions and trends of the Right with an aim at foiling the cooperation of the democratic patriotic forces. But the democratic forces are well aware of this. They understand that a united action of the broader democratic forces is indispensable now and in the future in order to reduce significantly the influence of the far Right and to save Cyprus. The developments in the immediate future will prove how deeply the feeling of patriotic duty in the democratic forces is rooted.

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CSO: 4621/258

REFUGEES' INTENT TO OVERCOME CHAUVINISTIC SOLUTIONS PRAISED

Nicosia KHARAVGI in Greek 17 Mar 82 p 1

/Text/ There still exist some political leaders of the Right who entertain chauvinistic sentiments against the Turkish Cypriots. Fortunately they are few. They represent people who learned nothing from the serious mistakes the Right committed in the past and for which the whole island is paying today.

But the large majority of our people and political leaders have overcome and decisively rejected the narrow nationalistic confronting of the Cypriot problem, a confronting which is in conflict with historical and international developments. The only patriotic confronting today, the only rational and realistic position, is that which takes into consideration the existence of the two main national communities of the island as well as that of other minor ethnic groups. Chauvinism has served and still serves only the enemies of Cyprus--those who championed its partition and enslavement in order to transform it into a NATO basis, into an unsinkable aircraft carrier of the imperialists.

The message the 7th Pan-Cyprian Congress of Refugees sent to the Turkish Cypriots reaffirms the final victory of the patriotic forces for brotherly cooperation of the two communities, for common efforts to demolish "the walls of distrust, hatred, chauvinism and separation" built by the inexorable enemies of Cyprus. With their inspired and patriotic message, the elected representatives of thousands of refugees who belong to various political fronts and parties have asked the Turkish Cypriots to cooperate:

- a. "For ending the 8-year drama of our common fatherland. For building bridges of rapprochement...
- b. "For speeding the finding of a just, mutually acceptable and viable solution of the Cyprus problem on the basis of the UN resolutions and the summit agreements...
- c. "For a Cyprus, truly independent, territorially integral, sovereign, federated, non-aligned and demilitarized, a common fatherland of all its residents with guaranteed human rights..."

The refugees who have suffered most and who feel a deeper pain than the rest of the people over the island's drama, realize clearly and with admirable prudence that the way to the solution of the Cyprus problem, the way to safeguard the

independence and sovereignty of its people, the way to a peaceful and happy future, is through rapprochement, reconciliation and cooperation of the two main Cypriot communities.

The retreat of the extreme rightist, chauvinistic political forces and the rise of the democratic, progressive forces in the two communities is a reality favoring rapprochement which will contribute effectively not only to the success of the inter-communal talks but also to the solution of the internal aspect of the problem. It will help as well the promotion of a solution of the international aspect of the Cyprus problem, and to the termination of the accomplished [facts] by the invasion and occupation, because it completely weakens the Denktash chauvinistic clique and the Ankara militarists. It removes from them the cloak of protectors of the Turkish Cypriots and of peacemakers. It takes away the last alibi from the imperialists who have carefully prepared all plans for the partition of Cyprus-- from the McMillan plan to the Acheson plan and from the coup and the invasion to the American-Canadian and British plan.

It is for this reason that all chauvinistic, reactionary elements and Ankara itself fight with such animosity the rapprochement of the two communities. Denktash forbids all contacts between Turkish and Greek Cypriots. On the other hand, the "nationalists" of the Democratic Rally [DISY] deride the slogans about the brotherhood between the two communities whose rapprochement and cooperation is a mighty weapon against the partition plans of Ankara and imperialism. The whole democratic people of Cyprus and the Pan-Cyprian Refugee Committee are well aware of this. With the historic message of their congress the refugees serve the Cyprus case as well as their own by striking a deadly blow to the destructive, anachronistic chauvinism the enemies of Cyprus have used to bring about its great tragedy.

7520

CSO: 4621/259

BRIEFS

INTER-PARTY STRIFE REPORTED--The question of cooperation between the Democratic Party [DIKO], AKEL and the Pan-Cyprian Restorative Party [PAME] met with complications as a result of AKEL's demand that PAME President Khr. Sofianos be appointed immediately to a ministerial position--a demand which President of the Republic Spyros Kyprianou rejected. Anyway, the negotiations between the three parties continue. [Text] [Nicosia C AGON in Greek 12 Mar 82 p 8] 7520

CSO: 4621/259

GOVERNMENT WARNED OF SENSITIVITIES TO CRITICISM FROM RIGHT

Athens ANDI in Greek No 201, 19 Mar 82 p 5

[Article by Spyros Linardatos]

[Excerpt]...In any case, there is an absolute national unanimity in confronting the Turkish threat. The same is true as concerns the Cyprus problem, even though the strong party contradictions in free Cyprus, especially now that the presidential elections are nearing, could make the handling somewhat difficult. Naturally, the same unanimity is not manifested in our domestic problems. The fact that not only KKE but ND also support certain government bills--such as those on [civil] marriage and the holding of many positions by an individual--is an admission that the government is on the way to modernizing the country. The government has the sharpest opposition from all sides in the area of its economic measures. Following the draft law on administration [changes], the opposition Right is now directing its sharpest attack on the budget (the outlays the budget anticipates will reach 1 trillion drachmas and revenues will be 58 percent greater than in 1981), particularly as concerns the new taxes. The government claims that the high taxation (it is estimated that the income from taxes alone will reach 120 billion drachmas) "is the price for the irresponsible policy followed in recent years" (speech by the premier on TV)--the price, that is, of careless expenses and favoritisms which created "empty treasuries" and the policy of the "scorched earth" in the economic sector. On the other hand, [the taxation] aims at realizing the regular budget's national and social objectives--an increase, that is, by 40 percent of the outlays for health, welfare and insurance, by 23 percent for education, by 21 percent for the national defense and by 46.5 percent for agriculture.

Even though the taxes are imposed mainly on luxury items--lotteries, automobiles, et. al., it is natural for the budget's structure to have an overall impact on the cost of living index. This together with the increasing inflation and the increase in the bills of various services (electricity, water, etc.) creates the displeasure of the broader popular strata. Thus the government is strongly criticized by the Left and the Right. The Right sees catastrophes: "slowdown in the economy's competitive ability and productivity, feeding inflation, and lack of investment activity which will intensify the increasing unemployment" (Averof's statement). The government answers that it had no other way of coping with the situation it inherited and of achieving its national, social and economic targets. If, for instance, it resorted to issuing more paper money, this would lead "to a flare-up of inflation, to a substantial shrinking of the income of the

working people and to borrowing from abroad on a scale which would undermine the country's position in the international economy" (premier's speech on TV).

[The government] finally expresses the optimism that inflation will be controlled, the national income increase will be satisfactory and there will be a renewal of the economy. At the same time, it intensifies its efforts to draw foreign investments, hoping that the domestic initiative will also be mobilized as a result of the measure it is getting ready to legislate. From its side, KKE accuses the government of "becoming reconciled with the oligarchy," and leaving "untouched the excessive profits of the oligarchy," burdening "the popular strata with new tax burdens," and threatening to "mobilize the working people." KKE-Int. ascertains that "the contribution of the 1982 budget to a more equitable distribution of the tax burdens is limited, while such contribution is almost nonexistent in starting new procedures for development." The Democratic Socialism Party points out that "no fairer distribution of income is realized" and that "the tax system is not improved" since "the two-thirds of the increased taxes come from indirect taxes."

No doubt, the difficulties the country faces, difficulties about which Papandreou had warned during the preelectoral period—at least for those who heard his speeches and not only what they like to hear—are great. The first socialist government gives battle on two fronts: national and economic. In such a difficult situation which needs the mobilization of the broader forces, the declarations of partisan superpatriotism by certain government cadres; the carelessness and retractions by ministers on draft laws and in statements; and the appointment to important positions and offices of persons who served the junta and shone the boots of the colonels are undermining this situation. This last sin [appointment of juntaists] provides a good excuse for the Right to criticize, while the Left feels it still deeper when an attempt is made to justify it with alibis which remind one of "the honest poverty," in a way, that is, whereby amorality in public life is legalized and confirmed.

7520

CSO: 4621/255

INDIFFERENCE, CHEAPENING OF STUDENT ELECTIONS RAPPED

Athens ANDI in Greek No 201, 19 Mar 82 pp 7, 8

[Text] On Wednesday evening, 17 March, when the student election results are announced ANDI will go to press. It is not difficult to foresee, of course, that the post-election scenario which has been monotonously repeated for years now will again be played unaltered: triumphant declarations by the forces winning most of the votes; assessments about the anti-right position of the students (amended now by "the expression of their desire to have Change advance in the universities without retractions"); and declarations that the struggle of the students should be continued with unabated intensity since "the Right and the university establishment are fighting to maintain their privileges," etc., etc. We do doubt the students' progressive orientation and we understand the importance the confirmation of its influence assumes for every political party to the ever sensitive student world.

But this year's elections, perhaps more than those of last year, cannot be evaluated mainly by the additions, subtractions and comparisons of the students' votes. The representatives of the various factions will be elected of course to the All-Student Congress (and therefore the correlation of the forces will be established in the new Central Committee of the National Student Union of Greece [EFEE] but this does not seem at all to concern a certain continually increasing category of students. The weak--if not nonexistent--preelectoral climate is completely different than the one we knew in the past; the small attendance at student meetings in general; the low political level of student procedures and the dominance of cheap EFEE slogans are but a few samples of the increasing weakening of the once very strong student movement.

It must be noted that all this is taking place at the same time laws are being drafted which may determine for years the future of the ill-fated Greek higher education. Unfortunately, the juxtapositions among the student fronts refer slightly to the content of the proposals for the law framework, while on the contrary the fronts exhaust themselves--not unskillfully, of course--with the accusation of the retractions and changes in the policy of this or that front.

Thus, despite the change, nothing seems to have changed (except for worse) in the student movement except in the roles of the actor fronts in defending or criticizing the government policy. But we insist that if no change takes place without this or that front or through retractions, etc., etc., there will be less change if the massive movement is transformed not simply into a casual voter but into "no voter" at all.

COMMUNISTS DIFFER ON PROPOSED NEW PROGRAM

Rotterdam NRC HANDELSBLAD in Dutch 6 Mar 82 p 3

[Article by Hubert Smeets: "CPN Between Renewal and Dialectics"]

[Text] Amsterdam, 6 March--Whether the CPN's [Communist Party of the Netherlands] draft of a program of principles presented at the end of December will ultimately be accepted intact is questionable. In this draft the party supports a pluralist form of parliamentary democratic socialism. The CPN party executive decided recently that the special congress on the program of principles will not be held before the fall of 1983. This fall a regular party congress will elect a new party leadership which will be instructed to prepare a definitive, possibly reviewed, draft and to present it to the members.

According to the presently available text composed by party chairman Henk Hoekstra, Dutch communists no longer see themselves as the exclusive fighters for social change. Now the CPN also recognizes the role played by other socialists, pacifists, radicals, and even social democrats.

This ideological reorientation led moreover to the opinion, also recorded in the draft, that the party's own organization needs renewal.

Traditional democratic centralism, the party model which should in theory have done justice to internal diversity, but actually smothered many discussions prematurely, was thus more or less renounced. According to the draft there can also be hardly any room for unity with the communist sister parties in Eastern Europe.

One way to demonstrate this was the sharp denunciation of the military coup in Poland a few hours after Jaruzelski assumed power. One of Hoekstra's arguments against criticism of this statement was: "As a communist party we would not have a leg to stand on if we fought such tactics at home and did not denounce them over there."

One Party System

These far reaching consequences of the new course now advocated by the CPN party leadership are especially responsible for heated discussions. They are

partially reflected in letters to the editor of the daily newspaper DE WAARHEID. However, criticism is not less violent at regional meetings.

Especially repudiation of a "one party system in all its appearances," as the CPN formulated it in its statement of the events in Poland, is meeting with a lot of opposition according to party chairman Hoekstra. It also undermines the old principle that the CPN is fundamentally playing the role of vanguard. At a discussion meeting with Hoekstra the old "veteran" Duinders, an old CPN member from Oostzaan, brought up the following criticism: "Hardly a word is said about it in the program of principles. The all pervasive renewal urge has gone berserk." Duinders was not just talking for himself.

Many Dutch communists are still deriving inspiration from the Soviet Union and the other socialist nations. Fre Meis, the strike leader from Groningen, since many a day also a member of the CPN daily management team, lends his approval to the program of principles with the following observation: "Like it or not, the socialist nations are now an enormous power. They are people's democracies where a process of democratization is relentlessly moving ahead." Contrary to Hoekstra he is still uncritical of the Russian intervention in Hungary in 1956. "There was activity of fascist groups. Counterrevolution and reinstatement of capitalism were mentioned," according to Meis.

Hoekstra illustrated his position by stating: "One cannot continue forever to appeal to sources of inspiration from the past." He hopes and counts on a renaissance of the international communist movement. "However, if one does not recognize that international communism is sick, one can also not find a cure for it."

A growing number of CPN members can no longer derive inspiration from the Russian revolution and what happened afterwards in the Soviet Union but they have also come to the conclusion that the party should withdraw from the international communist movement. That alliance has only frustrated cooperation with other leftist parties and groups. Elsbeth Etty, assistant chief editor of DE WAARHEID, and Andre Roelofs, head of the foreign affairs department of this newspaper, say: "The international communist movement is evidently not suitable for a truly international movement."

Party Model

The old reliable party model is now also subject of discussion in the CPN. Opinions are divided and, of late, that has become openly noticeable. In the summer of 1980 a group of CPN members, impatient about renewal, came together in Freisland, in Witmarsum, outside of the established party framework.

This caused ill feelings. For instance, according to Cor van der Zanden, organizer of many strikes in the Rotterdam harbor, democratic centralism must remain the CPN's main principle. He says: "That is not something to be ignored, it grew out of many years of struggle by the working class. The sections in the draft on party organization must therefore be tightened up. The party must function better." He expects that the discussions in the party will take a lot of doing.

Theun Twigt, also from Rotterdam, and also a CPN member of many decades, on the other hand, represents the point of view of party members desirous of getting rid of the idea of democratic-centralism. Twigt believes that democratic-centralism is the basis of the idea that members acting outside the CPN--in labor unions, neighborhood groups, or peace movements--must in the first place represent the party's ideas and points of view. According to Twigt such double loyalty is disastrous since it turns allies off.

DE WAARHEID

An extension of this idea is the attempt to make DE WAARHEID a paper for all parties and groups to the political left of the PvdA [Labor Party]. But many CPN members are no longer looking upon DE WAARHEID as their exclusive party newspaper.

According to Etty the contents of DE WAARHEID is subject to a lot of criticism at regional meetings devoted to the paper. Especially the editor in charge of foreign affairs is then under heavy fire. Some correspondents are under the impression that they are now bearing the brunt of the attacks because many CPN members do not want or dare to direct their criticism towards the party leadership and the program of principles.

Monstrous Alliance

The debate led not only to ideological confusion but also promoted organizational disorder. Many regional party governments have been thoroughly rejuvenated. Some sections are even led by "collectives." The members no longer accept old authoritarian leadership.

This was the reason that last month in Amsterdam fraction chairman and district secretary Roel Walraven was forced to give up his second position to the younger Paul Wouters. A majority of the members of district Amsterdam is of the opinion that the two jobs can no longer be held by one person.

The Rotterdam CPN member Teun Twigt is, for instance, asking whether the more conservative party members are going to organize themselves. Anyhow, he says that he was recently invited to attend a meeting in Rotterdam "to protect the CPN against the renewal process".

In short: everybody in the CPN agrees that the party must be rejuvenated. But the opinions differ on the degree and extent of the process. And also on the motives. Fre Meis: "The party has not changes; since the cold war the situation has changed. Some people call that the renewal of the CPN but that is simply dialectics."

10319

CSO: 3105/125

PCP: AD TO SUBVERT ARMED FORCES THROUGH CONSTITUTIONAL REVISION

Lisbon O JORNAL in Portuguese 19 Mar 82 p 17

[Article by Vital Moreira, constitutional expert and Portuguese Communist Party deputy: "Constitutional Revision and (still) the Military Issue"]

[Text] 1. Once Again the Military Issue

Until a few days ago, in the light of widespread silence on the part of the media on this matter, one might have said that the military issue, in terms of the constitutional revision, was closed since the problem of the authority and manner of appointment of military top commanders had apparently been resolved once and for all.

Opponents of the solution worked out by the PS [Socialist Party] and the AD [Democratic Action Party] had struck their flags (the president of the republic himself supposedly was in agreement); the chapter on the military issue apparently was closed regarding the follow up to the termination of the Revolutionary Council; on top of that, new problems (the powers of the PR [President of the Republic] in relation to the government, the "economic constitution," etc.) moved to the fore in the constitutional debate thus pushing the military issue into the background. So, the case was closed.

Far from it. Even if the problem of military top commanders had been settled--and perhaps it would not even be so daring to say that it was now out of the way--all of the various aspects of the military issue are far from finished in terms of the constitutional revision. The issue as a matter of fact does not end with the chapter of military top commanders.

Now, there are three recent facts which once again brought the military issue out into the open in a setting in which the constitutional revision is taking place. The first event was represented by the news that the administration already has a national defense bill ready which was drafted on the assumption of the dissolution of the CR [Revolutionary Council] and the transition to a government of military administration so as to get it passed immediately after the revision of the Constitution. The second fact was represented by the news of the introduction of a group of proposals for temporary provisions to be included in the constitutional revision law; these proposals were introduced in the Parliamentary Subcommittee on Constitutional Revision by a qualified deputy of one of the parties in the AD (perhaps only by coincidence he was from the party whose chairman the defense minister happens to be); these proposals would, immediately upon the entry into

force of the revision, transfer to the government most of the authority in military management and administration, including (it was explained explicitly) the authority concerning promotion to general officer rank. The third fact, which confirmed and further developed the earlier ones, was the speech given by the prime minister at the Institute of Higher Military Studies, explaining some of the principles of the above-mentioned legislative program and asserting that the subordination of the Armed Forces to the government would be "instantaneous" and would take place immediately along with the "promulgation of the constitutional revision law which specifies it."

It is easy to draw two conclusions from this: First of all, the military issue, at long last, does not boil down to the problem of military top commanders but rather covers other no less important matters such as the problem of Armed Forces leadership and administration, in general, and the problem of promotions, in particular. Second, the AD's ambition on this matter is quite obvious since it did not hesitate to make it clear that it is in a hurry to get its hands on the Armed Forces.

2. Current System and Revision Drafts

Right now, under the terms of the Constitution, the CR is the Armed Forces' superior leadership and management body (in point of fact, this is not entirely so since the ministerial powers of the chiefs of staff, which came before the Constitution, were maintained). The government has no authority in the military sphere; in this area, there is a kind of self-management and autonomous administration through the CR (and through the CEM [chiefs of staff]).

It is known that among the four constitutional revision bills introduced in the AR [Assembly of the Republic], only the bill of the PCP [Portuguese Communist Party] does not propose changes in this system. But among the bills that call for the elimination of the CR, there are profound differences as to the manner in which the question of Armed Forces management and administration should be tackled.

The AD bill is quite definite as to the pure and simple transfer of military leadership and administrative authority to the government. It is not content with not providing any new body which would inherit some of the powers of the CR and takes care to provide for a standard expressly giving the government authority to "direct and administer the Armed Forces." The latter would assume a status similar to that of any other public service and the military top commanders would be appointed like any other director general; promotions would be handled through the Ministerial Office. Under that system, it would not be possible for the law to establish any measure of self-administration in military matters (contrary to what is possible in any other area of government administration).

The FRS [expansion unknown] bill contains a solution which, although essentially different as to form, is rather close as to its content and may produce the same effects. Following the elimination of the CR, the bill proposes the creation of a new body, called the CSDN [Higher National Defense Council], presided over by the PR and featuring a tripartite makeup (military top commanders, prime minister and other ministers, members appointed by the AR); being a basically consultative body, it could nevertheless by law be endowed with certain "administrative

functions." The only thing is that these administrative functions are not constitutionally obligatory, nor are they specifically spelled out and they would always depend on the law which, even if it were to confer some authority to it, certainly would give it somewhat minor points of authority, reserving for the government those points of authority which really count (above all promotions, appointment to management positions in military administration, etc.).

The proposal in the MDP [Portuguese Democratic Movement] bill is substantially different. It likewise calls for doing away with the CR; like the FRS bill, it proposes a new body, called the Higher Armed Forces Council, likewise presided over by the PR, likewise with a tripartite makeup (with the difference that the military sector covers not only the military chiefs of staff but also the five-star generals). The only thing is that this council would directly handle certain military leadership and administration functions which in this way would not be taken over by the government (nor could the law transfer them to the government). This among other things involves authority to regulate the organization, operation, and discipline of the Armed Forces and to make promotions to the rank of general officer.

As we can see, only the MDP bill guarantees not only that--following the termination of the CR--the powers of military administration would not entirely go to the government but also above all that promotions would be handled by a body that would be relatively independent of the governmental majority at any given moment (which however would naturally have clout on that score through the members of the government itself and through those appointed by the AR). The FRS bill not only did not guarantee that authority for promotions would not go to the government but also did not prevent a situation in which the CSDN would be heavily controlled by the governmental majority (through the ministers, the majority of the members appointed by the AR and the military top commanders who, although appointed by the PR, would be chosen by the government). The AD bill ruled out any half-way solution, calling for total government control over the Armed Forces and military administration.

3. Current Status of Revision

We can say, in the light of the discussion held within the Constitutional Review Committee and the conclusions indicated, that the AD is on the way to prevailing once again and that the PS not only did not want to but so far was unable to correct the solution in its bill, just as it cannot push it through either.

It is true that the AD wound up ready to allow the constitutional approval of the CSDN after having initially opposed it completely. But that "concession" was a small price to be paid for managing to torpedo the FRS proposal. If the solution currently under consideration were to be approved, the CSDN's authority would not be spelled out in the Constitution (which would enable the parliamentary majority--such as that of the AD--to put it together in accordance with its own immediate interest). On the other hand, the merely optional character of giving the CSDN some administrative authority would be explicit. It seems obvious that, under these terms, the CSDN would cease to present any serious threat to the AD. It would be what it wanted it to be and it would only have those powers which it would want it to have (it might even happen, in case of a CSDN made up along its lines, that it might be convenient for it to delegate some powers to it, thus relieving the government of responsibility for the pertinent decisions).

4. The Importance of Making Generals

The eminence which the issue of military top commanders has assumed must not cause us to underestimate the importance of other aspects of the military issue in terms of constitutional revision. Other powers--such as the power to "make" generals, to appoint commanders of military regions, the commanders of military administration services, etc., may be no less important.

Through the solution adopted for the appointment of military top commanders--appointed by the PR on the basis of nomination by the government--the government gains the right to pick the CMGFA [armed forces chief of staff] and the CCM [expansion unknown] since the PR, retaining the power of not appointing those whose names are submitted to him, can only appoint those whose names the government submits to him (adding that he also loses the right to pick the moment at which he can relieve or replace them). Through this (albeit conditional) power, the government acquires the important ability to intervene in the Armed Forces. Now, to get that power it seems that the government must also have the power (freely or almost freely) to direct and administer the Armed Forces, including the power to make promotions, a power which is today held by the CR and the service chiefs of staff. If this solution were to be approved as part of the constitutional revision, and even though this would mean the ability to give the future CSDN some administrative authority, this would always be just a simple possibility which the governmental majority might or might not use, as it sees fit, especially since that body's makeup would be something for it to determine. One thing is certain: The AD has already made clear that its government does not renounce the idea of as quickly as possible assuming the most significant powers in terms of Armed Forces leadership and administration.

It does not take much argument to prove the risks which would emerge from a situation in which promotion to higher rank in the military career field would come to depend on a government decision (regardless of the nature of that government); a situation in which military leaders would have to worry, for career purposes, not only about doing their duty, as spelled out in the Constitution and the laws, but also about the political affiliation of the defense minister; a situation in which it would be necessary to show not only a good service record and high qualifications but also a political stamp of approval (if not perhaps even political partisan backing). Would it be an exaggeration to maintain that, under current circumstances in Portugal, this solution--even though the break with the current state of affairs would not be abrupt--could produce quite dire effects not only concerning the necessary climate of security in the Armed Forces and among military personnel but also regarding the stability (and the very safety) of the democratic system as a whole?

And will it take a great effort in terms of imagination to visualize the dangers which would hover over the system if the AD were to come to enjoy the power--which it so anxiously is waiting for--of once again molding the Armed Forces in its own image and design or (to use the words recently spoken by the prime minister) to transform them into an "instrument (sic) which the government would need to carry out its policy? The abruptness and absence of niceties with which the prime minister posed the issue expressed not only his well-known lack of oratorical knack and speechifying skill. It also means that the government,

getting rather ahead of itself, already feels that it is the lord and master of the Armed Forces and considers its conquest to be irreversible. It was like an impatient act of self-enablement in taking over areas which already are safety its own.

5. Conclusion

I think that it would not be easy to challenge the following two conclusions: (a) One of the fundamental proposals of AD in the matter of constitutional revision consists in getting its hand on the Armed Forces, submitting them to its own political objectives, and that turns them into the instrument of its own restorationism; (b) The formulas provided for in the FRS bill (and, although to a lesser extent, those which the Constitutional Revision Committee is inclined toward) do not constitute a valid obstacle to the attainment of these objectives.

None of these observations is really anything new. But the irrepressible ambition of the AD--further spurred by the perception of the success already obtained--once again even more brings out the importance which it assigns to that issue. From now on, nobody could candidly claim ignorance regarding the scope of the stakes involved. Likewise nobody could responsibly claim the advanced stage of the process in order to justify the acceptance of the solutions promoted so far as an accomplished fact.

In a recent article in a weekly publication, Deputy Almeida Santos, who is indisputably one of the most influential personalities in the entire constitutional revision process, came out with the rather surprising statement that one of the ways to make revision unviable is to discuss it in public--and I assume that he said this at a moment when his well-known caution failed to prevail amid the passion of his remarks. The popular saying, to the effect that "Secrecy is the very core of negotiation" is true; the only thing is that the constitutional revision is not really one of the best subjects for private negotiations since it involves the essential rules of the community as a whole, as does the Constitution itself.

In any case, if this article, once again bringing the issue up for public discussion, helps in again raising the military issue in connection with the constitutional revision, then I would certainly have reason to rejoice (without any immodestly but also without any presumptuousness). I believe that the Constitution and the democratic system can only gain from that.

5058

CSO: 3101/29

REVOLUTIONARY COUNCIL SPOKESMAN ATTACKS BALSEMAO

Lisbon O JORNAL in Portuguese 19 Mar 82 pp 2-4

[Letter from Vasco Lourenco to Balsemao: "How Is It Possible for a Prime Minister To Violate the Law in This Fashion?"]

[Text] Maj Vasco Lourenco was a member of the Office of the Attorney General of the Republic in connection with the possible criminal proceedings against the prime minister resulting from the fact that Pinto Balsemao had obtained and used a photocopy of his statement in the case currently being handled by Judicial Police relating to the investigation of cases of corruption which might eventually mean that he committed the crime of violating the secrecy of justice.

The prime minister sent the president of the republic that photocopy along with his letter in which he expressed various criticisms regarding the action of Gen Ramalho Eanes, along with some criticisms or even attacks against the Revolutionary Council in general and Maj Vasco Lourenco, in particular, in relation to his report as to alleged cases of corruption.

This Revolutionary Council member replied to the prime minister in a letter which O JORNAL is publishing in its entirety below and first-hand and which Vasco Lourenco decided to release, as he wrote in the final portion, because he never received any reply from the prime minister who did not even acknowledge receipt of the letter. This is undoubtedly an explosive document of undeniable importance which speaks for itself.

It all began with the publication of an article by Vasco Lourenco in which he denounced alleged cases of corruption. Gen Ramalho Eanes--who is also the chairman of the Revolutionary Council--naturally, during the meeting following his receipt of the letter from Balsemao, read those portions which pertained to that body of government and one of its members--but he did not read the above-mentioned photocopy of the statement by Vasco Lourenco to the PJ [Judicial Police; Criminal Investigation Police].

Freitas do Amaral Denies Link

The CR [Revolutionary Council] then replied to Balsemao in writing in a letter signed by the President roughly at the same time Vasco Lourenco did.

In the meantime, when Balsemao's possible "booboo" began to become known among the highest circles in the PSD [Social Democratic Party], it was whispered that

he had obtained a photocopy of the statement made by Vasco Lourenco and sent it to Eanes on suggestion of Freitas do Amaral. But a source close to the deputy prime minister formally and solemnly denied that story to O JORNAL, at which point even Freitas do Amaral himself asserted that he was not even in Lisbon at that time and learned about the event only much later.

An Opinion from the Office of the Attorney General of the Republic

On the other hand--and perhaps in an effort to provide backing for a position--sources close to the minister of justice revealed that the PGR [Office of the Attorney General of the Republic] issued an opinion according to which secrecy of justice could yield to other higher interests, such as when the interests of the state were involved.

But O JORNAL can assert that this opinion was not given in anticipation of the "case" that has now come up and a qualified lawyer and criminal code expert denied to O JORNAL that this assumption could apply to him.

Finally, as far as we have been able to ascertain, Vasco Lourenco's decision to release his letter now was made on his own, without any prior consultation.

Text of Letter

Mr Prime Minister:

Since His Excellency the President of the Republic disclosed to the Revolutionary Council a letter directed to him by Your Excellency on 18 December 1981, it was with some surprise that I found that I was mentioned in that letter by its author in a manner less than correct. I said that I was somewhat surprised because, in spite of the fact that I have already learned that there are persons to whom all is fair in politics, I still wanted to believe that, in terms of government relations--especially when those involved are top government officials--one would not lower oneself to employing highly condemnable methods, using distortion, manipulating the facts, and pushing "conclusions" which will not withstand any fair and independent review. These methods perhaps are current practice among some partisan politicians in their permanent struggle to win power! Believe me, Mr Prime Minister, that I never hoped to see a party leader failing to assume the functions which he temporarily exercises as head of the government, in the course of his duties using methods less proper than those customarily employed in his party activities. Allow me to be quite frank: If this sort of thing were to happen, the country's situation would be very serious!

It is true that Your Excellency has already several times accustomed the Portuguese to this kind of procedure--hence, the fact that I experienced only some degree of surprise at your new attitude--but, since hope is the last sentiment to disappear, I confess that I never expected that it would take so long.

I profoundly deplore the fact that Your Excellency did not have the decency to address me personally and that you preferred to use my name as a pretext for purposes which you clearly denounced in your letter.

I shall not respond to, nor even comment on the portion of Your Excellency's letter dealing with the President of the Republic and the Revolutionary Council, since these two sovereign bodies must assume the attitude which they consider most advisable--and I shall go on to analyze the portion of the above-mentioned missive which deals with me personally.

Government and Corruption

1. Your Excellency begins by asserting in your letter that I published "a strange article in which, among various senseless and unacceptable statements," I came out with accusations "against the government and particularly against some ministers, regarding involvement in cases of corruption, some of which took place in the past while others are now underway and still others are yet to happen."

I will not comment on your opinion regarding the various "statements" in my article; opinion, fortunately, since 25 April, has been free in Portugal. But in view of your assertions, logic persuades me to conclude that Your Excellency could not have read (or has not yet read, or misread, or did not want to read) the entire article with proper attention because, if you had done so, I am sure that you would have understood it in its entirety. I would say the same thing regarding my subsequent statements on those same matters, both those that are public knowledge, and those that are contained in my own statement to the PJ, to which Your Excellency gained access illegally and which I will take up later on. Your Excellency would otherwise never have concluded that it was my intention to make charges against the government and against any of its ministers regarding involvement in cases of corruption. The only clear and firm charge I made was that the government is not acting effectively, at least in public terms, in view of the general conviction as to the existence of a state of widespread corruption in the light of the numerous public reports involving specific cases and in the light of the various opinions which several personalities have been expressing in public (I might only stress here those of your fellow party member Dr Alberto Joao Jardim and those of Dr Sousa Franco). What I said, Mr Prime Minister, is that the democratic system itself is in danger when the government only confines itself to the "publication" of a letter by the prime minister himself to all of his ministers who, if you will allow me the caricature, are asked not to be corrupt," saying nothing and doing nothing specific about the countless cases which have become public knowledge, especially since members of the administration itself might be involved in them. This is why I gave some specific cases as examples, cases which had become public knowledge in a wide variety of communications media.

The only accusation I made, Mr Prime Minister, was that the administration was not doing anything whereas it was trying to make everybody believe the contrary. I did that and unfortunately I must continue to do so since it happens to be a fact that the administration's reaction to my article was marked by a series of hypocritical attitudes, trying to turn position around, trying to distract attention and not worrying about solving the problem of which nobody dares say that it does not exist--not even the administration itself. Your Excellency's letter is a significant example of that. If this were not so, how could one accept your readiness to "confide to the nation's news media" the content of my public statement, if it were not for the fact that I belong to a sovereign body of government? If I were just an ordinary citizen--to use your own expression--the administration would maintain an attitude of absolute contempt for these serious assertions. This is a sad

situation indeed, Mr Prime Minister, since the ordinary citizen should deserve maximum respect from his country's government! Especially when the situation is serious and when the administration's propriety and its clean action and the honesty of its intentions are at stake.

Violation of Judicial Secrecy

2. Your Excellency added to the letter addressed to His Excellency the President of the Republic a copy of the statement I had given to the PJ. These statements were given in my capacity as a witness as part of a preliminary investigation which the PJ is conducting on cases of possible corruption which I had mentioned in the article that produced the above-mentioned letter.

Right here and now, may the Lord believe that I never considered it possible that this should ever come about. How is it possible for a prime minister to violate the law so flagrantly? How is it possible for a prime minister to obtain statements given by a witness during a proceeding which continues to be covered by judicial secrecy and without the consent or even the knowledge of that same witness? And, worst of all, at what point must a prime minister have arrived if he does not hesitate to use that witness testimony, obtained through trickery, in order to distort the logical conclusion of the statements contained there so as to be able to pursue his own, more than doubtful goals.

I shall not go any further for the time being but I will comment on your attitude. I consider it to reveal the real seriousness inherent in abusive interference by the executive branch in the judicial branch and I could not, neither as a citizen, nor as a member of the Revolutionary Council, let it pass, which is why it will get proper treatment in the proper organs.

Government's Total Incapacity

3. Your Excellency decided to comment on my witness statement which you obtained illegally, starting with the assertion that "Maj Vasco Lourenco has no grounds for saying what he says."

That is wrong, Mr Prime Minister, absolute wrong. As I said a little while back, I accused the government of doing nothing, at least in terms of public knowledge, in view of the numerous cases that point to corruption and that have been reported by the media. To this very day, the administration has not communicated to the public any specific actions which it has taken along these lines. Neither before my article, nor unfortunately after the publication of that article. Therefore, the one who has no grounds for saying what he says is Your Excellency, and not I.

But I do want to believe that Mr Prime Minister, in making his statement tried to maintain that the Judicial Police has already concluded its investigations and found that all of the doubts raised in cases reported by the press and mentioned by me are unfounded. I certainly hope that this is so because this would be a sign that the PJ pursued the investigations to the end, quickly, and there was no reason for the doubts which sprang up among the media regarding a wide variety of personalities, especially some of your ministers.

I and the population in general keep hoping that the conclusions of these investigations will also rapidly be made public--and we do not see why these disclosures have not yet been made. If this is not so--and that would be highly lamentable--I would have to conclude that the administration only tried to use a trick worthy of condemnation in order illegally to obtain my statement with the intention of using it in a distorted fashion to continue to camouflage its real interests, its real nature, and its total inability to solve the nation's problems.

A Practice of the Earlier Regime

4. Your Excellency says that "The charges made by Maj Lourenco are an echo of the repeated and systematic campaigns of the sensationalist press, especially the press with a communist orientation." On that score I feel I must tell Your Excellency that the administration looks upon them with the same feeling of understanding, disgust, and contempt.

Your Excellency said that "The reply by Major Lourenco to the PJ is confined to bringing up a series of inquiries--none of which were launched during my tenure--and to make reference to articles published in the press, mostly by O DIARIO."

This indeed is a practice that was very dear to the prior regime, a practice which we can observe once again in our time and which Your Excellency is using once again, that is, the idea that anybody who is not for us is a communist!

Fantastic! Accustomed as I was to these practices, I should not have been surprised by them; I had been accustomed to them in one way or another because I became familiar with them not many years ago through somebody who used the opposite version, that is to say, "Anybody who is not for us is a fascist," and I was one of the victims of that practice. That sort of thing should not have surprised me any longer. But I was surprised not so much because, after having been considered a "fascist" I am now considered a "communist" but rather because I found that it was a prime minister who lowered himself to such methods in an official letter addressed to the President of the Republic! I would like this not to be so but I do have before me the statements written in a document signed by Your Excellency and I therefore cannot entertain any illusions.

Let me however skip over some of the comments which this attitude on the part of Your Excellency would elicit and let us see how much distortion, manipulation, and dishonesty are contained in them. Let us then analyze my statements in my witness testimony.

A. There are three cases which I reported in my article.

(1) Agrarian Reform

Having used as basis for this case an article in EXPRESSO, on 10 October 1981, under the title "Sousa Tavares Replies to Joao Goulao," I reported that this case had already been covered particularly in O DIARIO (on several occasions), PORTUGAL HOJE (twice), A CAPITAL, EXPRESSO, DIARIO POPULAR, DIARIO DE LISBOA (three times), and O DIA.

(2) Mirandela and Totobola Printing Establishment

Having used as basis for this case an article in DIARIO DE NOTICIAS, dated 24 April 1981, under the title "Criteria for Competition," I reported that the issue had also been taken up especially in A CAPITAL, DIARIO DE NOTICIAS (three times), DIARIO POPULAR, PORTUGAL HOJE, O DIARIO, JORNAL DE NOTICIAS (twice).

(3) Purchase and Sale of Aircraft and Other Aeronautical Equipment

I based only this case on an article printed on 24 October 1981 in EXPRESSO.

It is indeed fantastic that these facts could cause the prime minister to consider these newspapers as part of the "sensationalist press, specifically the press of communist orientation," not refraining even from lying in asserting that O DIARIO predominates here. Allow me, Mr Prime Minister, to advise you to be careful with your anticommunist wrath. On the basis of the three cases reported by me, your newspaper (EXPRESSO) could be considered a sensationalist, communist-oriented paper! Is that what the editors of DIARIO DE NOTICIAS--another newspaper which served as basis for the third case by me--would say in reading your opinion?

B. In my statement I wanted to mention other cases indicative of possible corruption and previously covered by the media. Here they are:

(1) The UBP case, covered especially in A TARDE.

(2) The BPA [Portuguese Bank of the Atlantic] case, covered especially in O DIARIO.

(3) The CNN [National Shipping Company] case, covered especially in PORTUGAL HOJE and EXPRESSO on several occasions.

(4) The RTP [Portuguese Radio-Television System] case, covered especially in EXPRESSO and PORTUGAL HOJE.

(5) The TOBIS case, covered especially in O DIARIO and EXPRESSO.

(6) The case of the Cars in the Customs Office, covered especially in A TARDE.

(7) The EPAC case, covered in a wide variety of newspapers.

(8) The PESCAS case, covered in a wide variety of newspapers.

(9) The SOI IS case, covered especially in PORTUGAL HOJE.

It seems to me unnecessary to add any further comments to those given earlier regarding the description given by Your Excellency to the newspapers I mentioned as "sensationalist press, particularly of communist orientation." The same applies to Your Excellency's statement as to the predominance of O DIARIO among these newspapers. As I said earlier, we now have freedom of opinion even though that opinion may contribute to the "national treasury of anecdotes."

Impropriety on the Part of a Prime Minister

C. As to the fact that, in my witness statement--which Your Excellency obtained unlawfully and misused--I reported the existence of a series of investigations that were started but never finished, "none of them having been launched during my tenure," as Your Excellency says, I have only two comments to make.

It is not the fact that these investigations were started during a different administration which relieves your administration of responsibility for their continuation and completion. Allow me to remind Your Excellency that you have been prime minister for already more than a year!

Nor is Your Excellency's administration helped by the fact that the investigations were opened during other administrations. They at least ordered the investigations to be started.

5. Your Excellency says that "Without trying to be funny, imagine, Your Excellency, Mr President, that some member of the administration would allow himself to make charges against some members of the Revolutionary Council on the basis of 'indicative facts' published in newspapers." Naughty, Mr Prime Minister, very naughty! In addition to confusing the basic problem--I made no accusations against any member of the administration, but I did make a frontal charge against the administration in failing to act clearly and openly--you raise suspicions without saying anything specific about them. If there were any "indicative facts" involving members of the Revolutionary Council, it would only be proper for you to act and it would even be necessary for you to act as in relation to any other indicative factors. And it is necessary that they be reported by name if the sovereign body to which those members belong--in this case, the Revolutionary Council--does nothing. Now, this unfunny joke, let us agree, is very improper for a prime minister.

6. I would like to close my letter--which I unfortunately find myself forced to write--by expressing my wish to the effect that all of the cases possibly involving corruption--both those covered here and the others--be investigated to find out the truth, following by the punishment of those guilty or the clearing of those falsely involved.

I restate my proposal regarding the immediate opening of a public investigation of corruption, carried out by competent authorities, and I deplore the fact that, in spite of everything, this investigation has not been started. I also hope that you, the prime minister, will make every effort and use your full power both as prime minister and as leader of the forces represented on a majority basis in the AR, to make sure that the various parliamentary investigations already proposed in the AR--on some of the cases reported by me and on others--be processed as effectively as possible and might enable the Portuguese people to get to know the full truth about the charges and the doubts which continue to persist.

Only in this way, Mr Prime Minister, will we be able to contribute to the consolidation of an authentic democracy in Portugal.

I await Your Excellency's specific responses since you are "especially in a position to take action" and since your responses could make the disclosure of my communication unnecessary.

Respectfully yours,

Vasco Correia Lourenco, Major, Infantry, Revolutionary Council Member.

5058

CSO: 3101/29

PARTICIPANT IN FAILED COUP ALLEGEDLY HAD LEFTIST ANTECEDENTS

Madrid EL PAIS in Spanish 13 Mar 82 p 17

[Article by Fernando Orgambides: "Major Cortina Trained Castroist Type Guerrilla Action Group in 1960's"]

[Text] Infantry Major Jose Luis Cortina, currently being tried for participation in the failed coup of 23 February, was engaged in training a guerrilla action group, apparently of Castroist ideology, in Madrid in the early 1960's. This heretofore unknown activity of Cortina's, who at that time was a recent graduate of the General Military Academy, was revealed to EL PAIS by different persons who at that time formed part of the mentioned group and who today militate in the political left. Jose Luis Cortina's alleged restiveness then, already a military officer, and his subsequent political evolution, together with his various career stages in the Spanish intelligence services, lead these persons to suspect that that the above training activity might have been one of his first assignments as a secret agent.

At the beginning of the 1960's, according to the various reports gathered by this newspaper, both Jose Luis Cortina, 43 and now a major, and his brother Antonio, 47, still maintained strong ties with Youth Front, an organization which at that time was undergoing its first breakups at the hands of youth groups that within the very Falangist structure evolved toward anti-Francoist positions.

These youths, many of whom years later militated in parties of Marxist ideology, were won over by the Cortina brothers to become members of a guerrilla action group, painted in the glowing colors of a romantic adventurism and embodying the revolutionary concepts of the time, like Castroism, Nasserism itself, or the Ben Bella model. The place of instruction was Madrid's Casa de Campo.

Never Armed

The group's membership was less than 200 and, although they were never armed, its members were given thorough training in all aspects of physical readiness and survival methods, all supplemented by theoretical instruction on the self-action system, a doctrine representing a synthesis of Yugoslav, Israeli and Algerian documents. Jose Luis Cortina was known by the sobriquet of Restarazu, and his brother Antonio by that of Roncal.

The organization had no name, although among its members it was sometimes referred to as The Family. It was also known, in this case through the signature on the pamphlets issued by its members, as Revolutionary Social Force, or as The Bee. Among the persons who collaborated at that time with the Cortina brothers was Fernando Cadarso Preciado, a relative of Antonio and one of the witnesses summoned to testify in the F-23 [23 February] trial proceedings at the request of the defense of the present Major Cortina, and Esteban Sierra Muniz, also now a witness and at that time a resident of the French locality of Lyon.

In fact, as regards Esteban Sierra, some reports coincide in affirming that he was the organization's "strongman number three," who from his base in France was in charge of relaying the group's foreign contacts. It was later reported that the group maintained contacts with organizations in exile, such as the one headed by the republican leader Julio Alvarez del Vayo or the so-called Third Republic.

One of the ex-members of the group, consulted recently, stated that its ideological thought was even then quite muddled, although the passage of time and a deeper understanding of other thought have led him to suspect that it was being manipulated with undisclosed ends in mind. In this regard, he recalls that Jose Luis Cortina was already a military officer (an infantry lieutenant), a fact that he found surprising, considering that his involvement in this kind of activity exposed him to serious risks, especially with regard to his immediate superiors or the political police, who had infiltrated all strata of national life.

Another of the persons who have contributed information and details on Jose Luis Cortina's activities has indicated that between 1963 and 1964, the Civil Guard at Puertollano (Ciudad Real) detained several members of the group. Nevertheless, they were quickly released and nothing happened. This detail, like others relative to the physical training (the exercises were done on gymnasium facilities of the United States Marines), the presence of an Army tankman in one of the marches, or that a former Green Beret who years later was in Manuel Fraga's body-guard service was also a member of the group, are all open to doubt. What can be said is that Antonio Cortina, during the 1970's, was closely linked politically to Fraga, which automatically provided a contact oriented toward liberal or opposition circles. Antonio Cortina's ties with the nuclei that subsequently gave birth to what is now the Popular Alliance was another aspect taken cognizance of in its time by many of the former followers of Restarazu.

A third person consulted expressed puzzlement in this regard that an evolution on the part of these men toward the right could have taken place in such a few years.

The group dissolved mainly because in the minds of many of its members alternatives already existed for carrying on the anti-Francoist struggle that were more consistent with and adjustable to conventional political views. Weapons were never distributed, nor were any concrete actions ever carried out. The Cortina brothers, still according to the telling, continued their activities, centering them now, however, principally on political theory and not on the--at least easily interpretable as being the--Utopian struggle against the dictatorship.

The recollection of those events has come to the minds of some of those who have talked to this newspaper as a result of the trial of Jose Luis Cortina in connection with the failed coup of last year, and as a result of the appearance in the media of persons who, mentioned recently as witnesses for his defense, were his assiduous collaborators during the 1960's.

But the suspicions that the intentions of the then Lieutenant Cortina might have been to manipulate a group of youths barely nearing 20 years of age come to mind principally when one knows that his military career has been practically tied to the military intelligence services, in which he reached the level, in his present assignment, of chief of the Operations and Special Missions Group of the CESID [Higher Center for Defense Intelligence], one of the most important positions in Spanish intelligence. Prior to this, he was in the former SECED [Central Documentation Service] of the Prime Ministry of the Government, which was headed at the time by Col Jose Ignacio San Martin who is now also being tried.

A Man of Constant Leaps

Jose Luis Cortina is undoubtedly a figure of constant upward leaps in recent years, if we start with his initial activities upon graduation from the General Military Academy (the above-cited ones) and halt the cycle at his F-23 trial, 3 months after the assault on the Congress. A member of the 14th graduating class of this military institution, the same one as that of King Juan Carlos, Major Cortina was the first officer assigned to head the defense of Captain Antonio Garcia Marquez, who was tried for his membership in the UMD [Military Democratic Union], a defense from which he subsequently stepped down.

He was also an active collaborator of the GODSA [Documentation and Orientation Office, Inc], the embryo of what is today Popular Alliance, of which his brother Antonio, an official of the Surplus Labor Mutual and former professor of Building of the National Spirit and of Physical Education, was director and general manager, these latter functions having been his while Fraga occupied one of the positions of vice president and that of minister of government in Carlos Arias Navarro's last cabinet.

His training of a guerrilla action group during the 1960's, his interest in the revolutionary movements of that time, his consolidation as a key official in the Spanish intelligence services, his initial decision to defend a captain of the UMD, his collaboration with GODSA, and his subsequent trial in connection with F-23--although he denies his participation in the coup--make of Jose Luis Cortina a very enigmatic man and of his career a confusing pattern, at least insofar as concerns what has been published regarding his person.

Very close to his brother Antonio who, in June 1976 the defunct magazine CUADERNOS PARA EL DIALOGO said was linked to the staff of the late Argentine Gen Juan Domingo Peron and of his compatriot fugitive Jose Lopez Rega, he has in his favor the gratitude of some of those men he befriended in the 1960's and, according to his own testimony, visited and sometimes helped as Restarazu, when they were under arrest or being persecuted under Francoism.

DEFENSE OFFICIAL DISCUSSES DIVERSIFICATION OF ARMS SOURCES

Athens I EXORMISI TIS KYRIAKIS in Greek 13-14 Mar 82 p 6

[Interview with Giorgos Petsos; date and place not specified]

[Text] Exceptionally auspicious perspectives are evident during the next two years for the development of the sensitive sector of our defense industry.

This encouraging conclusion for a different course of our country's foreign policy as formulated by the PASOK government, is drawn from the exclusive interview given to EXORMISI by deputy minister for National Defense, Giorgos Petsos, responsible for defense industry matters.

In the interview which follows, G. Petsos analyzes clearly the goals of the government in this area, emphasizes the indissoluble relation of the manufacturing of military materiel in Greece with the independent foreign policy of the country, adversely criticizes the fickle policy of the ND governments on defense industry, announces the success of the government in its contacts with Stayer and, finally, fixes the limits within which the Greeks will act in the negotiations for the modernization of the equipment of the Armed Forces.

Set forth below is the full text of G. Petsos' interview:

[Question] Recently, our country has initiated multiple efforts to seek new sources of arms. What relation is there between these efforts and the declarations of the government about an independent foreign policy?

[Answer] The correlation between defense and foreign policies derives from the decision of the premier to create a new agency in the political activities of the country, the KYSEA [Central Ministerial Council of Foreign and Defense Policy], whose purpose is precisely to correlate the moves of the government in the area of foreign and defense policy.

This correlation is necessary because in the present situation, when we talk about an independent foreign policy we also mean diversification of sources of procurement of defensive armaments. Logically, the procurement of arms from one source only makes us dependent on the source-country. The more we diversify the sources of defensive armaments, the more our policy becomes independent.

To be sure, a great diversification of sources of procurement has its drawbacks also, which are caused mainly by the difficulty of procurement of spare parts and the lack of opportunities in the area of joint production

I believe though that the effort presently being made is going to have a beneficial result. This will result in the most independently possible foreign policy with regards to the diversification of the sources of defense armaments.

[Question] As it has repeatedly been emphasized, Greece must establish a defense industry capable of making it self-sufficient in war materiel. What is the priority given to it by the government?

[Answer] Self-sufficiency in defense industry is not something that can be achieved overnight. This is because in all the large countries of the world there exists tremendous progress in the area of technological development of weapons systems. Thus, despite the greatest efforts to develop its defense industry, small Greece will always be behind in the development of technology as compared to the large countries.

It is important, however for the self-sufficiency of the defense industry, to increase from day to day because self-sufficiency means the production of as many weapons systems as possible for our defensive protection and, consequently, the decrease of the importation of such systems.

Being successful in this means that besides the political gains (maximized independence in foreign policy), we have economic gains as well because the outflow of precious foreign exchange is decreased.

[Question] Objective observers emphasize that many countries which produce war materiel have rushed to satisfy--and with significant counterbalancing profits--the intention of Greece to renew the equipment of its armed forces. To what is this eagerness due?

[Answer] To begin with, within the framework of a business relationship, there is always the desire to invest foreign capital in Greece. This desire is based first, on the evident stability of the Greek economy which is bound to continue during the coming years of the PASOK government, secondly, on the fact that the basic goal of the government for the development of a defense industry gives us the option of joint production.

And here I must once again emphasize that we have our own policy which is directly related to the investment activity of these countries in the area of the defense industry.

We will not be dictated to as to where we will purchase what is available for sale.

Our aim, on a permanent basis, is to have joint production in the defense industry area in such a manner that we produce here either identical armaments or parts of them which we will either use here or will export.

[Question] It has been said that the aim of the government is the conversion of our defense industry from a repair one to a manufacturing one. Is there a concrete timetable for the implementation of this goal?

[Answer] Surely. Today most sections of our defense industry--with the exception of the Arms Industry and Stayer--are engaged in repairs. They could be more aptly termed "large shops."

Our aim is to convert soon this repair industry into a manufacturing one. As to how soon I will explain below.

As is known, there are now several commissions which are evaluating the operational capabilities of military aircraft which Greece is about to obtain for the next decade. They are a new generation of fighter aircraft.

On the premise that we may succeed in obtaining joint production--satisfactory to the Greek economic interests--from among the competing countries for this investment in our country, we will automatically create the necessary conditions in order to convert the Greek defense industry into a manufacturing one because it would have been agreed to in any event that parts of , if not the entire, fighter aircraft be built in Greece.

When, then, in 1982, the foundations for the agreement of military aircraft procurement will be set for the decade 1980-90, it is safe to say that this conversion from a repair to a manufacturing defense industry will have been achieved not only within the first four-year term of the PASOK administration, but within its first two years.

On the other hand, we have the Arms Industry which is already producing and the results, from the point of view of exports, are particularly encouraging.

Finally, there is Stayer-Greece, which is about to participate in the "Leonidas" production program of the Austrian parent-company which involves the manufacturing of armored personnel carriers. This conversion is being made according to new agreements which the PASOK government succeeded in obtaining.

[Question] Does this mean that the agreement with Stayer was revised?

[Answer] The manner of participation of Stayer-Greece in the "Leonidas" program has been revised. There were some proposals on the part of the Austrians, but the intervention of the PASOK government created more favorable terms for Stayer-Greece and, indirectly, for the Greek State.

All this--the development of the EAN [Greek Aircraft Industry], the evolution of EWO [Greek Arms Industry], the participation of Stayer in the "Leonidas" program--will create the premises within the next two years so we can say that we are on the way to a manufacturing defense industry.

[Question] Are there perhaps perspectives for widening the cooperation with Austria in the area of production of military materiel?

[Answer] Surely, and, moreover, for this reason I will travel to Austria at the end of the month, actually on 26-28 March. The main objective of the talks will be the further development of the cooperation of Stayer-Greece with the parent company with a view to producing here other items which are presently manufactured only by the Austrian company.

[Question] After all this it seems fair to ask how the defense industry of Greece will be able to compete in the international market with the giants that manufacture military equipment. Is there enough demand for the Greek products to sell?

[Answer] Naturally. There is always a market, unfortunately. I say "unfortunately" because when nations engage in arms races and spend enormous sums for them, they do so at the expense of their other social programs.

[Question] In an objective criticism of the condition of our defense industry we could say that, at the moment, it is embryonic. Could a comparison be made in that area of the policy of the PASOK administration with the policy of the previous governments?

[Answer] As a matter of fact, the previous governments of the New Democracy-- because there was no defense industry prior to them--simply "set in motion" the defense industry and did nothing beyond that.

This was due to a lack of planning. As in the other areas of the economy, there were no plans, no programs for the defense industry, either annual or five-year ones which could promote an increase in productivity as related to the returns, the staffing, manufacturing costs and export activities. All was haphazardly left to the development of different variables without any planning from the National Defense Ministry.

The PASOK government has decided that 1982 will be a year of planning for the defense industry in order for every plant which manufactures armaments to know that, henceforth they will operate on data developed by scholars and based on planning intended to increase output, lower costs, and further develop the export effort with the ultimate aim of creating a special commercial agency which will coordinate the export activities of all these defense industries

9731

CSO: 4621/247

NAVY RETIREMENTS, APPOINTMENTS ANNOUNCED

Athens I VRADYNI in Greek 11 Mar 82 pp 1,12

[Excerpts] The decree regarding the reorganization of the command positions in the Navy is to be signed today as a result of the recent promotions to the rank of Rear Admiral of the Commodores Zografakis and Metallinos.

Therefore the deputy chief of the GEN [Naval General Staff], Rear Admiral N. Pappas is being appointed chief of the Naval Training Command and he will be replaced by Rear Admiral Ngongezas, who, until yesterday, was chief of the Naval Materiel Command. Admiral Ngongeza's former command will be assumed by Rear Admiral G. Mallaris who, until yesterday was chief of GNE [General Naval Training]

Finally, Rear Admiral Zografakis is posted at the GEETHA [National Defense General Staff] and Rear Admiral Metallinos was designated Chief Secretary of the Fleet.

By presidential decree, published in the Government Gazette, the following Rear Admirals of the Port Corps voluntarily retired due to the selection of an officer with less seniority as Commandant of the LS [port Corps]: G. Oikonomou, P. Tsongidis, Sp. Plytzanopoulos, G. Tsouris and Th. Poulakis.

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GENDARMERY, CITY POLICE RETIREMENTS ANNOUNCED

Athens I KATHIMERINI in Greek 16 Mar 82 p 1

[Text] Yesterday by decrees of the responsible organizations of the Security Corps, the two deputy chiefs of the Cities Police as well as nine Brigadier Generals of the Gendarmerie were retired.

The Higher Evaluation Council for officers of the Cities Police met yesterday to evaluate the two deputy chiefs of the corps, Messrs. Vas. Ravtogiannis and G. Kondogiannis. The council retired Mr. G. Kondogiannis because he had served 35 years and declared Mr. Vas. Ravtogiannis as being eligible for retirement.

The decision of the council in the case of Mr. Ravtogiannis surprised those in the Cities Police circles because it is believed that, if Mr. Ravtogiannis appeals the decision to the Council of State, the decision would certainly be reversed. It is not known whether the present chief of police, Mr. Nitsos, who participated in the deliberations, agreed with the decision of the council or voted in the minority. Mr. Nitsos had been retired as Police Chief, 1st Class, in a decision similar to that of Mr. Ravtogiannis, but after appealing to the Council of State, he was reinstated with the rank of General Police Chief and was recently promoted to the rank of Chief.

The Gendarmerie

Yesterday, the Supreme Evaluation Council for officers of the Gendarmerie also met and reached the decision to retire Brigadier Generals G. Ndoumas, Khr. Zarnakoupis, Dim. Papadimitriou, Vas. Papavasiliou, Nik. Tzamouranis, P. Xarkhoulakis, and S. Alamanis.

Because of completion of 35 years' service the council also ordered Brigadie Generals Dim. Poulis and Kon. Ziannis eighth and ninth respectively on the seniority list of the corps, be retired while it promoted to the rank of Major General, Brigadiers N. Pavlopoulos (seventh on the list) and Sp. Panagiotopoulos (last on the list).

After publication of the promotion and retirement orders, the Higher Council will meet to evaluate the 63 Colonels of the corps. Sixteen of these will be promoted to fill an equal number of vacancies with the rank of Brigadier General. According to press reports, the government is about to retire 40 to 45 of the 63 colonels.

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April 29, 1982